NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Standard & Poor's: "AA"
Moody's: "Aa3"
Fitch: "AA–"
(See "RATINGS")

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2006F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Series 2006F Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006F Bonds. See "TAX MATTERS."

$1,149,205,000
BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS, 2006 SERIES F

Dated: Date of Delivery **Due: April 1, as shown on inside of cover page**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F (the "Series 2006F Bonds") are being issued by the Bay Area Toll Authority (the "Authority") pursuant to a Master Indenture, dated as of May 1, 2001 (as amended and supplemented, the "Indenture"), between the Authority and Union Bank of California, N.A., as trustee (the "Trustee").

The Authority is authorized under California law to administer all toll revenues from the following seven toll bridges: the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge (each a "System Bridge" and collectively the "Bridge System"). See "THE BRIDGE SYSTEM."

The Series 2006F Bonds are secured by and payable from Revenue, consisting primarily of Bridge Toll Revenues paid by vehicles using the System Bridges after payment of certain operations and maintenance expenses. See "THE BRIDGE SYSTEM" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS." Payment of the Series 2006F Bonds is secured on a parity with all other Bonds and Parity Obligations currently outstanding and issued in the future under the Indenture. See APPENDIX H — "PARITY BONDS AND PARITY OBLIGATIONS" and "SUMMARY OF FINANCING PLAN — Anticipated Issuance of Additional Bonds."

The Authority covenants in the Indenture that it will at all times establish and maintain tolls at rates sufficient to pay debt service on the Series 2006F Bonds and all other Bonds and Parity Obligations secured by Revenue and to meet certain other payment obligations and to otherwise comply with Chapters 4, 4.3 and 4.5 of Division 17 of the California Streets and Highways Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, as amended from time to time, the "Act"). See "THE BRIDGE SYSTEM," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS — Authority for Issuance," "— Toll Setting Authority" and "— Toll Rate Covenants."

The Authority intends to apply the proceeds of the Series 2006F Bonds to (i) provide funds for the defeasance of certain obligations issued by the California Infrastructure and Economic Development Bank that are secured by a pledge of the Seismic Surcharge imposed on vehicles using the System Bridges and reimburse funds advanced for such purpose by the Authority, (ii) provide for a deposit of funds into the Reserve Fund, and (iii) pay costs incurred in connection with the issuance of the Series 2006F Bonds. See "SUMMARY OF FINANCING PLAN — Estimated Sources and Uses of Funds" herein.

The Series 2006F Bonds will be dated and will mature and bear interest at the respective rates per annum, all as set forth on the inside cover page hereof, payable on April 1 and October 1 of each year, commencing on October 1, 2006. The Series 2006F Bonds will be issued in the denominations of $5,000 and any integral multiple thereof. See "DESCRIPTION OF THE SERIES 2006F BONDS — General." Investors may purchase Series 2006F Bonds in book-entry form only. See APPENDIX D — "BOOK-ENTRY ONLY SYSTEM."

The Series 2006F Bonds are subject to optional and mandatory redemption prior to maturity. See "DESCRIPTION OF THE SERIES 2006F BONDS."

THE SERIES 2006F BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE, AS TO INTEREST THEREON AND PRINCIPAL THEREOF, SOLELY FROM REVENUE AS DEFINED AND PROVIDED IN THE INDENTURE, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM REVENUE. THE SERIES 2006F BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE, THE METROPOLITAN TRANSPORTATION COMMISSION OR OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE.

The Series 2006F Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Sidley Austin LLP, and its general counsel, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. Certain legal matters relating to the defeasance of the Infrastructure Bank Bonds (as defined herein) will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation. It is expected that the Series 2006F Bonds in book-entry only form will be available for delivery on or about April 25, 2006.

Citigroup

JPMorgan **Merrill Lynch & Co.** **Morgan Stanley** **Stone & Youngberg LLC**

Banc of America Securities LLC **Bear, Stearns & Co. Inc.** **E.J. De La Rosa & Co., Inc.** **First Albany Capital Inc.** **Goldman, Sachs & Co.** **Lehman Brothers** **Siebert Brandford Shank & Co., LLC**

Dated: April 4, 2006.

MATURITY SCHEDULE

$1,149,205,000
BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS,
2006 SERIES F

Maturity Date (April 1)	Principal Amount	Interest Rate	Yield	CUSIP† (Base 072024)
2007	$23,690,000	4.500%	3.400%	CB6
2008	26,425,000	3.500	3.530	CC4
2009	15,620,000	3.500	3.570	CD2
2009	11,730,000	5.000	3.570	CE0
2010	7,990,000	3.625	3.630	CF7
2010	20,490,000	5.000	3.630	CG5
2011	5,070,000	3.625	3.690	CH3
2011	24,725,000	5.000	3.690	CJ9
2012	11,685,000	3.750	3.780	CK6
2012	19,530,000	5.000	3.780	CL4
2013	5,160,000	3.875	3.880	CM2
2013	12,000,000	4.500	3.880	CP5
2013	15,470,000	5.000	3.880	CN0
2014	16,065,000	3.900	3.970	CQ3
2014	18,080,000	5.000	3.970	CR1
2015	8,035,000	4.000	4.030	CS9
2015	27,640,000	5.000	4.030	CT7
2016	19,295,000	4.000	4.080	CU4
2016	18,080,000	5.000	4.080	CV2
2017	39,050,000	5.000	4.150 [C]	CW0
2018	41,005,000	5.000	4.210 [C]	CX8
2019	43,055,000	5.000	4.250 [C]	CY6
2020	45,210,000	5.000	4.280 [C]	CZ3
2021	2,450,000	4.250	4.310	DA7
2021	45,020,000	5.000	4.310 [C]	DB5
2022	49,825,000	5.000	4.330 [C]	DC3
2023	52,315,000	5.000	4.350 [C]	DD1
2024	54,930,000	5.000	4.370 [C]	DE9
2025	57,675,000	5.000	4.380 [C]	DF6
2026	1,440,000	4.375	4.400	DG4
2026	59,120,000	5.000	4.400 [C]	DH2

$351,330,000 5.00% Term Series 2006F Bonds due April 1, 2031 –Yield: 4.45% [C] CUSIP[†]: 072024 DJ8

[C] Priced to first call date of April 1, 2016 at par.

[†] Copyright 2005, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The Authority takes no responsibility for the accuracy of such numbers.

This Official Statement (this "Official Statement") does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2006F Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been provided by the Authority, the State of California Department of Transportation ("Caltrans") and other sources that are believed by the Authority to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.

A wide variety of other information concerning the Bridge System and the Seismic Retrofit Program is available from state and local agencies, publications and websites. No such information is a part of or incorporated into this Official Statement.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2006F Bonds.

This Official Statement speaks only as of its date. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made in conjunction herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or other matters described herein since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2006F Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Authority.

All descriptions and summaries of documents and statutes hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document and statute for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and statute. Certain capitalized terms used herein and not defined herein are defined in APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Definitions."

In connection with the offering of the Series 2006F Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market prices of the Series 2006F Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2006F Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover page and such public offering prices may be changed from time to time by the Underwriters.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," expect," "intend," "believe," "plan," "budget," and similar expressions are intended to identify forward-looking statements. Projections, forecasts, assumptions, expressions of opinions, estimates and other forward statements, are not to be construed as representations of fact and are qualified in their entirety by the cautionary statements set forth in this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED DO OR DO NOT OCCUR.

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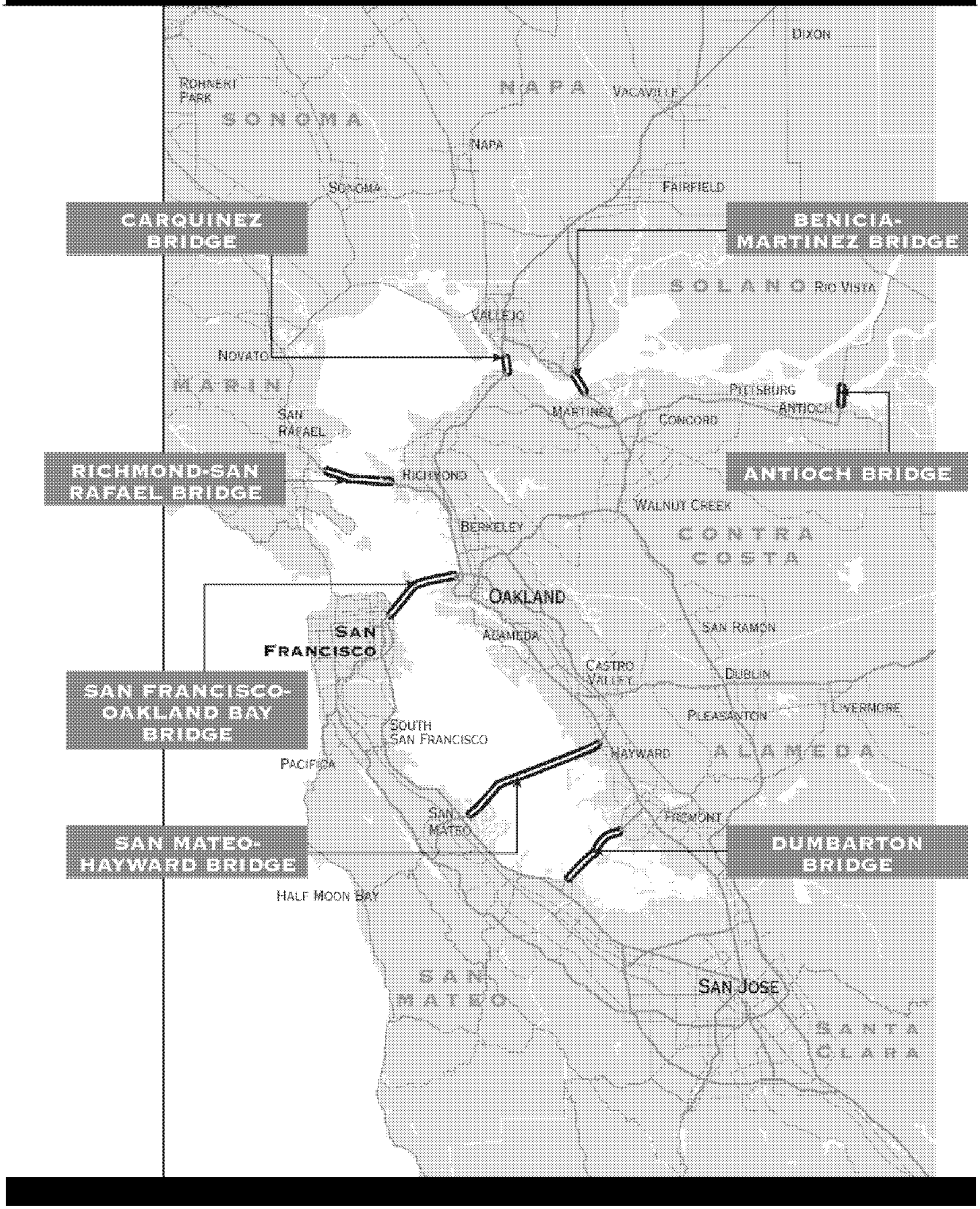
THE BATA BRIDGES



BAY AREA TOLL AUTHORITY

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MEMBERS AND OFFICERS

	Voting Members
JON RUBIN – CHAIR	San Francisco Mayor's appointee
JOHN MCLEMORE – VICE CHAIR	Cities of Santa Clara County
TOM AMMIANO	City and County of San Francisco
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JAMES T. BEALL, JR.	Santa Clara County
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SHELIA YOUNG	Cities of Alameda County
	Non-Voting Members
TOM AZUMBRADO	U.S. Department of Housing and Urban Development
DORENE M. GIACOPINI	U.S. Department of Transportation
BIJAN SARTIPI	State Business, Transportation and Housing Agency

****

STEVE HEMINGER, Executive Director
ANDREW B. FREMIER, Deputy Executive Director, Bay Area Toll Authority
BRIAN MAYHEW, Chief Financial Officer
RODNEY F. MCMILLAN, Director of Bridge Oversight and Operations
SUSAN WOO, Deputy Treasurer
FRANCIS F. CHIN, General Counsel

TRUSTEE

Union Bank of California, N.A.
San Francisco, California

BOND COUNSEL

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San Francisco, California

FINANCIAL ADVISOR

Public Financial Management Inc.
San Francisco, California

VERIFICATION AGENT

Causey Demgen & Moore Inc.

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OFFICIAL STATEMENT

$1,149,205,000
BAY AREA TOLL AUTHORITY
SAN FRANCISCO BAY AREA TOLL BRIDGE REVENUE BONDS, 2006 SERIES F

INTRODUCTION AND PURPOSE OF THE SERIES 2006F BONDS

General

This Official Statement, including the cover page and all appendices hereto (this "Official Statement"), provides certain information concerning the issuance and sale by the Bay Area Toll Authority (the "Authority") of $1,149,205,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F (the "Series 2006F Bonds").

The Authority was created by California statute in 1997 to administer toll revenue collections, as well as the financing of certain improvement programs, for the following seven state-owned toll bridges in the San Francisco Bay Area: the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge (the "Bridge System" as described herein). In 2005, California law was enacted to authorize the Authority to assume responsibility for financing another capital improvement program for the Bridge System, the seismic-retrofit program, as described herein. To date, the seismic retrofit program has been financed, in part, through the issuance of bonds and notes issued by the California Infrastructure and Economic Development Bank (the "Infrastructure Bank"). These Infrastructure Bank obligations are currently secured by a pledge of a seismic surcharge imposed on vehicular traffic on the Bridge System.

The Authority will apply the proceeds of the Series 2006F Bonds, together with other available funds, to provide funds for the defeasance of the Infrastructure Bank obligations and reimburse funds advanced for such purpose by the Authority, and for certain related purposes. See "SUMMARY OF FINANCING PLAN – Defeasance of Infrastructure Bank Obligations" and " – Estimated Sources and Uses of Funds."

Upon issuance of the Series 2006F Bonds and the defeasance of the Infrastructure Bank obligations, all tolls collected on the Bridge System, including the seismic surcharge, will be administered by the Authority and will be pledged to the payment of the Series 2006F Bonds and certain parity obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS."

Subsequent Developments

Subsequent to the distribution of the Preliminary Official Statement dated March 24, 2006, relating to the Series 2006F Bonds, in April 2006, Caltrans released its monthly progress report relating to capital projects on the System Bridges. The report included updated information including updated descriptions of the contracts for seismic retrofit construction projects on the System Bridges, developments regarding seismic investigations of the Antioch Bridge and the Dumbarton Bridge and actual costs through February 28, 2006, of certain capital projects on the System Bridges. See "CAPITAL PROJECTS AND FUNDING - Seismic Retrofit Program Capital Projects – San Francisco-Oakland Bay Bridge – East Span – Status of Construction Contracts" and " - Estimated Cost of Seismic Retrofit" and "CAPITAL PROJECTS AND FUNDING - Summary of RM1, RM2 and Seismic Retrofit

Program Capital Projects." In addition, the Authority obtained updated information regarding the Authority's investment portfolio. See "AUTHORITY INVESTMENT PORTFOLIO."

DESCRIPTION OF THE SERIES 2006F BONDS

General

The Series 2006F Bonds are being issued by the Authority pursuant to a Master Indenture, dated as of May 1, 2001, as previously supplemented and as supplemented by a Sixth Supplemental Indenture, dated as of April 1, 2006 (the "Sixth Supplemental Indenture" and, together with the Master Indenture and prior supplements, the "Indenture"), between the Authority and Union Bank of California, N.A., as trustee (the "Trustee").

The Series 2006F Bonds will be dated the date of their delivery and will mature on the dates and in the principal amounts and bear interest on the basis of a 360-day year of twelve 30-day months at the respective rates per annum set forth on the inside cover page hereof. Interest on the Series 2006F Bonds will be payable on April 1 and October 1 of each year, commencing on October 1, 2006 and at maturity or upon the prior redemption thereof. The Series 2006F Bonds will be issued in fully registered form in the denominations of $5,000 and any integral multiple thereof.

The Series 2006F Bonds will be issued in book-entry form only and, when issued, will be registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Series 2006F Bonds. Investors may purchase Series 2006F Bonds in book-entry form only. Beneficial Owners of the Series 2006F Bonds will not receive certificates representing their ownership interests in the Series 2006F Bonds purchased. Payments of principal of and interest on the Series 2006F Bonds will be made to DTC, and DTC is to distribute such payments to its Direct Participants. Disbursement of such payments to Beneficial Owners of the Series 2006F Bonds is the responsibility of DTC's Direct and Indirect Participants and not the Authority. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Redemption Terms of the Series 2006F Bonds

Optional Redemption. The Series 2006F Bonds maturing on or before April 1, 2016 are not subject to redemption prior to their respective stated maturities. The Series 2006F Bonds maturing on or after April 1, 2017 are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available funds, as a whole or in part (and if in part, in such order of maturity as the Authority shall specify and within a maturity by lot or by such other method as the Trustee determines to be fair and reasonable and in Authorized Denominations), on any date on or after April 1, 2016, at a redemption price equal to the principal amount of Series 2006F Bonds called for redemption, plus accrued and unpaid interest, if any, to the date fixed for redemption, without premium.

Mandatory Redemption from Sinking Fund Installments. Except as otherwise provided in the Indenture, the Series 2006F Term Bonds maturing on April 1, 2031 are also subject to mandatory redemption prior to their stated maturity, in part, by lot, from Sinking Fund Installments set forth below, on each date a Sinking Fund Installment is due in the principal amount equal to the Sinking Fund Installment due on such date and at a redemption price equal to the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium:

Redemption Date (April 1)	Sinking Fund Installment
2027	$63,580,000
2028	66,760,000
2029	70,100,000
2030	73,605,000
2031†	77,285,000

† Final Maturity

Purchase In Lieu of Redemption

In lieu of redemption, the Authority may surrender to the Trustee for cancellation Series 2006F Bonds purchased on the open market and such Series 2006F Bonds shall be cancelled by the Trustee. If any Term Series 2006F Bonds are so cancelled, the Authority may designate the Sinking Fund Installments or portions thereof that are to be reduced as allocated to such cancellation.

General Redemption Provisions

Selection of Bonds for Redemption. The Authority will designate which maturities of Series 2006F Bonds are to be called for redemption and what Sinking Fund Installments are to be reduced as allocated to such redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series 2006F Bonds maturing on a specific maturity date, the Trustee will select the Bonds of such maturity and Series to be redeemed, from the Outstanding Series 2006F Bonds of such maturity and Series not previously called for redemption, in minimum denominations of $5,000 (of principal), by lot in any manner which the Trustee in its sole discretion shall deem appropriate.

Notice of Redemption. Each notice of redemption is to be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to DTC. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of Series 2006F Bonds will be governed by arrangements among them, and the Authority and the Trustee will not have any responsibility or obligation to send a notice of redemption except to DTC. Failure of DTC to receive any notice of redemption or any defect therein will not affect the sufficiency of any proceedings for redemption.

Conditional Notice of Redemption; Rescission. Any notice of optional redemption of the Series 2006F Bonds may be conditional and if any condition stated in the notice of redemption will not have been satisfied on or prior to the redemption date, said notice will be of no force and effect and the Authority will not be required to redeem such Series 2006F Bonds and the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

In addition, the Authority may, at its option, on or prior to the date fixed for redemption in any notice of redemption of the Series 2006F Bonds, rescind and cancel such notice of redemption by written request of the Authority to the Trustee, and the Trustee will mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Effect of Redemption. Notice of redemption having been duly given pursuant to the Indenture and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS

Authority for Issuance

Chapters 4, 4.3 and 4.5 of Division 17 of the California Streets and Highways Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, as amended from time to time, the "Act") authorize the Authority to issue revenue bonds, including the Series 2006F Bonds, to defease the Infrastructure Bank obligations secured by the Seismic Surcharge (as hereinafter defined) and to finance the construction, improvement and equipping of the Bridge System and other transportation projects authorized by the Act.

The Series 2006F Bonds are being issued by the Authority pursuant to the Indenture. For complete definitions of the capitalized terms used below see APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Toll Setting Authority

The Act also authorizes the Authority to increase tolls if required to meet its obligations on any bonds, to satisfy its covenants under any bond resolution or indenture, or to complete the Seismic Retrofit Program (as hereinafter defined). Such toll rate increases are not limited in amount and do not require any legislation or approval by any regulatory agency. See "-Toll Rate Covenants" below. The Authority is required to hold a public hearing before adopting a toll schedule increasing the RM Toll (as hereinafter defined), and to hold two public hearings before increasing the Seismic Surcharge.

Statutory Lien on Bridge Toll Revenues

The Act imposes a statutory lien upon all Bridge Toll Revenues in favor of the holders of the Authority's revenue bonds and in favor of any provider of credit enhancement for those bonds. The lien created on the Bridge Toll Revenues is subject to the prior payment of operations and maintenance expenses for toll collection activities on the Bridge System. See "THE BRIDGE SYSTEM." Bridge Toll Revenues, upon issuance of the Series 2006F Bonds and the defeasance of the Infrastructure Bank Obligations, will include all tolls, including the Seismic Surcharge, and all other income (e.g. penalties for violations) allocated to the Authority pursuant to the Act derived from the Bridge System and not limited or restricted to a specific purpose.

Pledge of Revenue

All Revenue, net of operations and maintenance expenses for toll collection activities on the Bridge System (as further described below "Net Revenue"), is pledged to secure the punctual payment of the principal of and interest on all Bonds, Parity Obligations and Reserve Facility Costs (as defined herein). The Indenture provides that this pledge shall constitute a first lien on such amounts, shall be valid and binding from and after the issuance of the Bonds, without any physical delivery or further act and shall be irrevocable until all Bonds and Parity Obligations are no longer outstanding.

"Revenue" primarily includes Bridge Toll Revenues. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Revenue also includes:

(i) all interest or other income from investment of money in any fund or account of the Authority, including the Operations and Maintenance Fund established pursuant to the Indenture held by the Authority;

(ii) all amounts on deposit in the funds and accounts established pursuant to the Indenture and held by the Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any policy of bond insurance for the Bonds and any Credit Support Instrument);

(iii) all interest or other income from investment of money in the funds and accounts established pursuant to the Indenture and held by the Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument); and

(iv) all Swap Revenues.

"Net Revenue" is Revenue less Operations & Maintenance Expenses. "Operations & Maintenance Expenses" are generally defined to include all expenses related to Caltrans' operation and maintenance of toll facilities on the System Bridges, including, but not limited to, toll collection costs, including wages and salaries, maintenance and electrical energy for toll administration buildings and toll booths, the costs of the San Francisco-Oakland Bay Bridge architectural lighting, and the costs of maintenance and operation of the existing Transbay Transit Terminal. Operations & Maintenance Expenses do not include normal highway maintenance costs.

Transfers of Revenue

Under the Act, all Bridge Toll Revenues are required to be deposited into the Bay Area Toll Account held by the Authority. Under the Indenture, the Authority is required to transfer to the Trustee, from the Bay Area Toll Account, Revenue sufficient to make payments on all Bonds and Parity Obligations not later than three Business Days prior to their due date.

Upon receipt by the Trustee, all Revenue is required by the Indenture to be deposited by the Trustee in a special fund designated as the "Bond Fund," which the Trustee is required to establish, maintain and hold in trust. All Revenue held in the Bond Fund is to be held, applied, used and withdrawn only as provided in the Indenture. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts – Establishment and Application of Bond Fund" for information as to the transfer of funds from the Bay Area Toll Account to the Trustee under the Indenture to secure and provide for payment of the Series 2006F Bonds and other obligations payable from and secured by Revenue.

Pledge by the State

Pursuant to Section 30963 of the Act, the State has pledged and agreed with the holders of the Bonds and those parties who may enter into contracts with the Authority pursuant to the Act that the State will not limit, alter, or restrict the rights vested by the Act in the Authority to finance the toll bridge improvements authorized by the Act. The State has further agreed not to impair the terms of any agreements made with the holders of the Bonds and with parties who may enter into contracts with the Authority pursuant to the Act and has pledged and agreed not to impair the rights or remedies of the holders of any Bonds or any such parties until the Bonds, together with interest, are fully paid and discharged and any contracts are fully performed on the part of the Authority.

Toll Rate Covenants

The Authority covenants in the Indenture that it will at all times establish and maintain tolls on the Bridge System at rates sufficient to pay debt service on all Bonds and Parity Obligations secured by Revenue and to meet Operations & Maintenance Expenses and to otherwise comply with the Act.

The Authority also has covenanted to compute specified coverage ratios on an annual basis and to increase tolls if any of (x), (y) or (z) below is true:

(x) the ratio produced by dividing Net Revenue by the sum of

(A) Annual Debt Service,

(B) MTC Transfers (certain transfers required to be made to the Metropolitan Transportation Commission for public transit projects, for projects that will help reduce vehicular congestion and improve bridge operations, and for the Authority's cost of administration) (See "THE BRIDGE SYSTEM—Transfers to MTC),

(C) Subordinated Maintenance Expenditures (which are normal highway maintenance expenditures payable from Bridge Toll Revenues, see "THE BRIDGE SYSTEM –Toll Operations and Maintenance") and

(D) payments on Subordinate Obligations (determined using the principles set forth in the definition of Annual Debt Service but excluding payments that are one–time or extraordinary payments, such as termination payments on Qualified Swap Agreements)

in each case for the then current fiscal year, is less than 1.0, or

(y) the ratio produced by dividing

(1) the sum of Net Revenue and any funds then on deposit in the Operations and Maintenance Fund by

(2) Fixed Charges (being the sum of Annual Debt Service and MTC Transfers)

in each case for the then current fiscal year, is less than 1.25, or

(z) the ratio produced by dividing

(1) Net Revenue by

(2) Annual Debt Service

in each case for the then current fiscal year, is less than 1.20.

For purposes of such calculations, Net Revenue and Subordinated Maintenance Expenditures are determined by reference to the current budget of the Authority.

Reserve Fund

A Reserve Fund is established pursuant to the Indenture to be maintained in an amount equal to the Reserve Requirement, for the purpose of paying principal of and interest on the Bonds when due when insufficient moneys for such payment are on deposit in the Principal Account and the Interest Account under the Indenture.

"Reserve Requirement" means, as of any date of calculation, an amount equal to the lesser of: (i) Maximum Annual Debt Service on all Bonds then Outstanding; and (ii) 125% of average Annual Debt Service on all Bonds then Outstanding; provided that with respect to a Series of Variable Rate Bonds for which a fixed rate Swap is not in place, the interest rate thereon for purposes of calculating the Reserve Requirement is to be assumed to be equal to the rate published in The Bond Buyer as the "Bond Buyer Revenue Bond Index" by the most recent date preceding the sale of such Series; and provided, further, that with respect to a Series of Bonds, if the Reserve Fund would have to be increased by an amount greater than 10% of the stated principal amount of such Series (or, if the Series has more than a de minimis amount of original issue discount or premium, of the issue price of such Bonds) then the Reserve Requirement is to be such lesser amount as is determined by a deposit of such 10%. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions" and APPENDIX I –"PROJECTED DEBT SERVICE SCHEDULE."

As indicated in the table below, the Reserve Requirement is currently satisfied only by separate surety bond policies (the "Reserve Facilities") issued by Ambac Assurance Corporation ("Ambac") and XL Capital Assurance ("XL Capital"). The Reserve Requirement will increase upon issuance of the Series 2006F Bonds to approximately $176,773,892. The required increase in the Reserve Requirement attributable to the Series 2006F Bonds upon issuance of the Series 2006F Bonds will be not greater than $24,148,268.42 and will be satisfied by deposit of proceeds of the Series 2006F Bonds in such amount concurrently with the issuance of the Series 2006F Bonds. The aggregate stated amounts of the Reserve Facilities on deposit in the Reserve Fund and their respective expiration dates are summarized in the table below.

Issuer of Reserve Facility	Year Acquired	Aggregate Stated Amount of Reserve Facility	Year of Expiration (April 1)
Ambac Assurance Corporation	2001	$27,490,171	2036
Ambac Assurance Corporation	2003	15,895,359	2038
Ambac Assurance Corporation	2004	16,110,865[1]	2039
Ambac Assurance Corporation	2006	46,666,972	2045
XL Capital Assurance Inc.	2006	46,794,275	2045

(1) 2004 Reserve Facility may only be drawn upon to pay the principal and interest attributable to the Series 2004 Bonds.

The Trustee is to draw on the Reserve Facilities to the extent necessary to fund any deficiency in the Interest Account or the Principal Account. Draws on all Reserve Facilities on which there is available coverage are to be made on a pro-rata basis after applying all available cash and investments in the Reserve Fund; provided that if a Reserve Facility is available only with respect to a specified Series of Bonds and not all Bonds, such Reserve Facility will be drawn upon to pay the principal and interest attributable to such Series before cash and investments in the Reserve Fund are applied to fund such deficiency. The Authority is to repay, solely from Revenue, any draws under the Reserve Facilities and any Reserve Facility Costs related thereto. See "-Statutory Lien on Bridge Toll Revenues," "-Pledge of Revenue" and "Transfers of Revenue" above. Interest will accrue and be payable on such draws and expenses from the date of payment by the surety provider at the rate specified in the agreement with respect to such Reserve Facility. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts – Establishment and Application of the Reserve Fund" and " – Funding of the Reserve Fund."

For information regarding the Reserve Facility providers, see APPENDIX J – "THE RESERVE FACILITY PROVIDERS."

Outstanding Bonds and Parity Obligations

The Authority has previously issued Bonds outstanding in the aggregate principal amount of $2 billion secured on a parity with the Series 2006F Bonds and has incurred certain other obligations secured on a parity with the Series 2006F Bonds. See APPENDIX H - "PARITY BONDS AND PARITY OBLIGATIONS" and APPENDIX I - "PROJECTED DEBT SERVICE SCHEDULE."

Additional Bonds and Parity Obligations

Additional Bonds (or Parity Obligations) may be issued only if at least one of the following is true immediately following the issuance of such additional Bonds (or Parity Obligations):

(a) the additional Bonds (or Parity Obligations) are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Bonds (or Parity Obligations) to be refunded; (2) all expenses incident to the calling, retiring or paying of such Bonds (or Parity Obligations) and the Costs of Issuance of such refunding Bonds (or Parity Obligations); (3) interest on all Bonds (or Parity Obligations) to be refunded to the date such Bonds (or Parity Obligations) will be called for redemption or paid at maturity; and (4) interest on the refunding Bonds (or Parity Obligations) from the date thereof to the date of payment or redemption of the Bonds (or Parity Obligations) to be refunded.

(b) the Board determines that one of the following is true: (1) the ratio of (A) Net Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service on the Bonds (and Parity Obligations), calculated as of the date of sale of, and including such additional Bonds (or Parity Obligations), will not be less than 1.50:1; or (2) the ratio of (A) Net Revenue projected by the Authority for each of the next three (3) Fiscal Years, including in such projections amounts projected to be received from any adopted toll increase or planned openings of an additional System Bridge, to (B) Maximum Annual Debt Service on the Bonds (and Parity Obligations), calculated as of the date of sale of and including such additional Bonds (or Parity Obligations), will not be less than 1.50:1.

For purposes of the above-described calculation, if additional Bonds and Parity Obligations are issued to finance a Project that includes toll bridge program capital improvements for any bridge newly designated after January 1, 2006, as a System Bridge, projected Net Revenue for such bridge shall be calculated using estimates of Bridge Toll Revenues prepared by a Traffic Consultant unless that bridge has been an operating toll bridge for at least three Fiscal Years prior to such calculation date. See APPENDIX C - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions" and "-Additional Bonds; Subordinate Obligations".

Pursuant to the Indenture, at such time as the Authority determines to issue additional Bonds, the Authority shall, in addition to fulfilling the requirements of the Indenture described above, file with the Trustee (a) a certificate of the Authority stating that no Event of Default specified in the Indenture has occurred and is then continuing; (b) a certificate of the Authority stating that the requirements of the Indenture described under subparagraph (a) or (b) of the second immediately preceding paragraph have been satisfied; (c) if such additional Bonds are being issued based upon compliance with the provisions of the Indenture described in subsection (b)(1) of the second immediately preceding paragraph, a certificate of the Authority stating that nothing has come to the attention of the Authority that would lead the Authority to believe that there has been a material adverse change in the operation of the Bridge System such that Net Revenue for the then current Fiscal Year would be insufficient to meet the debt service coverage requirement described in subsection (b)(1) of the second immediately preceding paragraph; (d) the balance in the Reserve Fund upon receipt of the proceeds of the sale of such Series of Bonds shall be increased, if necessary, to an amount at least equal to the Reserve Requirement with respect to all Bonds Outstanding upon the issuance of such Series of Bonds; and (e) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture creating such Series of Bonds has been duly authorized by the Authority in accordance with the Indenture and that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, will be valid and binding obligations of the Authority.

Subordinate Obligations

Except to the extent restricted by the Indenture, the Authority may issue or incur obligations ("Subordinate Obligations") payable out of Revenue on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Parity Obligations were issued or incurred, as applicable. The Authority's Subordinate Obligations currently consist of fees and expenses due under the Standby Bond Purchase Agreements (as hereinafter defined) and fees and expenses and any termination payments under the Authority's Qualified Swap Agreements. See APPENDIX H - "PARITY BONDS AND PARITY OBLIGATIONS."

Special Obligations

THE SERIES 2006F BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE, AS TO INTEREST THEREON AND PRINCIPAL THEREOF, SOLELY FROM REVENUE AS DEFINED AND PROVIDED IN THE INDENTURE AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM REVENUE. THE SERIES 2006F BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE, THE METROPOLITAN TRANSPORTATION COMMISSION OR OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE OTHER THAN THE AUTHORITY, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION OF THE STATE.

BAY AREA TOLL AUTHORITY

The Authority is a public instrumentality created under the Act, and is authorized under California law to administer all toll revenues from the Bridge System. The governing body of the Authority is comprised of sixteen voting members appointed by public entities in the San Francisco Bay Area (the "Bay Area"), and three non-voting members appointed by State and federal agencies. These nineteen members are comprised of the following: (a) two members each from the City and County of San Francisco and from Alameda, Contra Costa, San Mateo, and Santa Clara Counties, (b) one member each from Marin, Napa, Solano and Sonoma Counties, (c) one representative each appointed by the Association of Bay Area Governments and the San Francisco Bay Conservation and Development Commission, and (d) one representative each, who shall be non-voting members, appointed by the State of California Secretary of the Business, Transportation and Housing Agency, the United States Department of Transportation, and the United States Department of Housing and Urban Development. Each commissioner's term of office is four years or until a successor is appointed. All of the commissioners are scheduled to be subject to re-appointment on February 10, 2007. A list of the current commissioners is included in the forepart of this Official Statement.

The Authority is governed by the same board as that governing the Metropolitan Transportation Commission ("MTC"). MTC is a public agency created in 1970 by the California State Legislature for the purpose of providing regional transportation planning and organization for the nine California counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma in the Bay Area.

THE BRIDGE SYSTEM

General

The Bridge System consists of seven bridges that link eight federal and two state highways in the nine-county San Francisco Bay Area. The Golden Gate Bridge which connects San Francisco with Marin County and northern California highways, is neither owned nor operated by the State nor administered by the Authority.

San Francisco-Oakland Bay Bridge. The San Francisco-Oakland Bay Bridge opened to traffic in November 1936 and connects the cities of San Francisco and Oakland and also serves the adjacent cities of Berkeley, Piedmont, Alameda and San Leandro, as well as neighboring cities and suburban areas in Alameda, Contra Costa and San Mateo Counties. The San Francisco-Oakland Bay Bridge provides the most direct connection between central San Francisco and the main transcontinental highways in the Bay Area.

The San Francisco-Oakland Bay Bridge has an overall length of approximately 8.5 miles consisting of two major bridge structures and a connecting tunnel on Yerba Buena Island, which is located at the midpoint of the San Francisco-Oakland Bay Bridge. The west span comprises two suspension bridges with a common central anchorage and with a truss span at the San Francisco end; the aggregate length of the western crossing is 10,300 feet. Each suspension bridge has a center span of 2,310 feet between towers, and two 1,160 foot side spans. A 520 foot long tunnel on Yerba Buena Island connects the western crossing to the eastern crossing via a 2,625 foot long reinforced concrete viaduct across the island. The east span consists of a 2,418 foot long steel cantilever truss followed by five 509 foot long steel trusses and 14 additional shorter spans that bring the roadways down to the East Bay shoreline.

The San Francisco-Oakland Bay Bridge is a double deck structure. Each deck has five traffic lanes with westbound traffic on the upper deck and eastbound traffic on the lower deck. Elevated approaches to the bridge carry through-traffic to and from U.S. Route 101 without use of local San Francisco streets. At the eastern terminus, approaches connect through-traffic with U.S. Interstate Highways 80, 580 and 880.

Carquinez Bridge. The Carquinez Bridge crosses the Carquinez Strait between Vallejo and Crockett on Interstate 80 and links the Bay Area and the Napa Valley. The bridge is 28 miles north-east of San Francisco and 65 miles south-west of Sacramento. The Carquinez Bridge consists of two parallel spans. The eastern span is the older of the two bridge spans and opened in 1958. The eastern span consists of welded members of high strength steel bolted together and carries four lanes of northbound U.S. Interstate Highway 80 traffic. The eastern span is a through-truss superstructure 3,350 feet long with cantilever spans of 1,100 feet. Vertical clearance is 148 feet. The new western span was opened to traffic in November 2003 and is described under "CAPITAL PROJECTS AND FUNDING – Regional Measure 1 Projects."

Benicia-Martinez Bridge. The existing span of the Benicia-Martinez Bridge crosses the Carquinez Strait approximately six miles east of the Carquinez Bridge. Opened to traffic in September 1962 as part of Interstate 680, this bridge provides a direct connection from the north bay and Sacramento regions to central and eastern Contra Costa and Alameda and Santa Clara Counties. The bridge corridor is a major interstate route and links U.S. Interstates 80, 680, and 780 and is a major interstate freight route. The original Benicia-Martinez Bridge is a 6,215 foot-long, deck-truss, with seven 528-foot spans, which provide 138 feet of vertical clearance and carries six lanes of traffic (three in each direction).

San Mateo-Hayward Bridge. The San Mateo-Hayward Bridge is situated approximately 17 miles south of the San Francisco-Oakland Bay Bridge, connecting the City of San Mateo on the San Francisco peninsula with the east shore of the San Francisco Bay in Alameda County, approximately five miles southwest of Hayward. The original bridge was constructed under private ownership and opened to traffic in 1929. In September 1951, the San Mateo-Hayward Bridge was purchased from its private owners, and, in 1961, the State Legislature approved construction of a new bridge to replace the original bridge. The replacement bridge was opened to traffic in 1967. The high-level steel section of the current structure is approximately two miles long, provides 135 vertical feet of clearance over the navigation channel and carries six lanes of traffic.

Richmond-San Rafael Bridge. The Richmond-San Rafael Bridge opened to traffic in September 1956, and provides access via Interstate 580 across the San Francisco Bay from a point about three miles west of the City of Richmond to the Marin County shore three miles southeast of the City of San Rafael. The Richmond-San Rafael Bridge is approximately 5½ miles long and of cantilever-truss construction. Its major spans stretch 1,070 feet over dual shipping channels to provide a vertical clearance of 185 feet.

As originally constructed, a single three-lane deck was provided for two-way traffic. A lower two-lane deck was constructed later, resulting in a two-deck structure carrying traffic in one direction on each deck.

Dumbarton Bridge. The Dumbarton Bridge is situated approximately 10 miles south of the San Mateo-Hayward Bridge and 27 miles south of the San Francisco-Oakland Bay Bridge. The original Dumbarton Bridge was purchased in September 1951 from its private owner. The western end of the structure is five miles northeast of the City of Palo Alto and the eastern end is five miles west of the City of Newark, midway between the Cities of San Jose and Oakland. In 1978, construction began on a new Dumbarton Bridge, which was opened to traffic in 1982. The Dumbarton Bridge is a six-lane reinforced concrete structure that is 1.6 miles long with a pedestrian/bicycle lane. The western approach to the bridge connects State Route 84 to U.S. Route 101 in Palo Alto and Redwood City and the eastern approach connects to Interstate 880 in Alameda County. The channel span, which has a length of 340 feet, provides 85 feet of vertical clearance for the passage of ships. The approach spans on both sides of the San Francisco Bay are composed of pre-stressed lightweight concrete girders that support a lightweight concrete deck. The center spans are twin steel trapezoidal girders that also support a lightweight concrete deck.

Antioch Bridge. Located 25 miles east of the Benicia-Martinez Bridge, the Antioch Bridge is the only northerly highway connection across the San Joaquin River linking east Contra Costa County to the delta communities of Rio Vista and Lodi. In 1978, a high-level fixed-span structure 1.6 miles long and 40 feet wide with a narrow shoulder in each direction for bicyclists, pedestrians and emergency use replaced the original bridge constructed in 1926. The Antioch Bridge spans the 3,600-foot wide San Joaquin River and extends 4,000 feet onto Sherman Island in Sacramento County to the north and 1,000 feet in Contra Costa County to the south. The Antioch Bridge has a navigational clearance of 135 feet vertically and 400 feet horizontally. Traffic lanes consist of two 12-foot wide lanes for motor vehicles and two 8-foot lanes for pedestrians and bicyclists.

Toll Rates

In 1998, voters approved Regional Measure 1 ("RM1") establishing a uniform toll rate of $1.00 for two-axle vehicles using the Bridge System and a uniform toll schedule for all other toll-paying vehicles using the System Bridges. In 2004 voters approved Regional Measure 2 ("RM2") which provided a toll increase of $1.00 to the toll schedule (together, the "RM Toll").

Commencing on January 1, 1998, a $1.00 seismic surcharge (the "Seismic Surcharge") was imposed by California law on toll-paying vehicles using the System Bridges. The combination of the RM Toll and the Seismic Surcharge results in a current total toll of $3.00 for two-axle vehicles.

In January 2006, the Authority authorized a $1.00 per vehicle increase in the Seismic Surcharge to take effect on January 1, 2007 (with a one-month exemption from such increase for certain vehicles using the Electronic Toll Collection and Accounting System ("ETC")).

The table below sets forth the toll rates currently in effect on the System Bridges.

BRIDGE SYSTEM TOLL RATES

Number of Axles Per Vehicle	RM Toll	Current Seismic Surcharge	Total Toll	Additional Seismic Surcharge Effective January 1, 2007[2]	Total Toll Effective January 1, 2007[2]
2 axles	$ 2.00[1]	$1.00	$ 3.00	$1.00	$ 4.00
3 axles	4.00	1.00	5.00	1.00	6.00
4 axles	6.25	1.00	7.25	1.00	8.25
5 axles	9.25	1.00	10.25	1.00	11.25
6 axles	10.00	1.00	11.00	1.00	12.00
7 axles or more	11.50	1.00	12.50	1.00	13.50

(1) Prior to January 1, 2002, 2-axle vehicles without trailers using the ETC (see "—Toll Collection" below) were charged at the RM Toll Rate of $0.85 for the initial demonstration period of ETC tolls. The $0.15 discount was eliminated after the ETC system was implemented and operational effective January 1, 2002. The additional $1.00 toll under RM2 became effective on July 1, 2004; however, for the period between July 1, 2004 and October 31, 2004, passage for 2-axle vehicles using the ETC system was charged at the RM Toll rate of $1.00.

(2) In January 2006, the Authority authorized a $1.00 per vehicle increase in the Seismic Surcharge to take effect on January 1, 2007. Thus, the total Seismic Surcharge of $2.00 per vehicle will be effective January 1, 2007. A one-month exemption from such increase will apply to certain vehicles using the ETC system. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS."

Source: The Authority.

Upon the defeasance of the Infrastructure Bank Bonds (as hereinafter defined), all tolls collected on the Bridge System will be Bridge Toll Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS."

Tolls on the Antioch, Benicia-Martinez and Carquinez Bridges are collected northbound only; tolls on the Dumbarton, Richmond-San Rafael, San Francisco-Oakland Bay and San Mateo-Hayward Bridges are collected westbound only. The RM Toll rates are based on the total number of axles on the roadway for a given vehicle. The Seismic Surcharge is a flat charge per toll-paying vehicle irrespective of the number of axles.

Pursuant to Section 30102.5 of the California Streets and Highways Code, the Authority may grant reduced-rate and toll-free passage on the System Bridges to selected categories of vehicles. Currently such vehicles primarily include commuter buses, two-axle vehicles with two, and in some cases three, passengers and certain low-emission vehicles (subject in each case to certain restrictions). The Act also authorizes the Authority to increase tolls if required to meet its obligations on any bonds, to satisfy its covenants under any bond resolution or indenture, or to complete the Seismic Retrofit Program. The Authority's discretion to permit toll-free or reduced rate passage is subject to its obligations to meet its toll rate covenants under the Indenture. In fiscal year ended June 30, 2005, toll-free motor vehicle traffic was approximately 11,874,990 (representing about 9% of total traffic).

Motor Vehicle Traffic and Bridge Toll Revenues

The following table sets forth total toll-paying motor vehicle traffic for fiscal years ended June 30, 1996, through June 30, 2005.

TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC
(number of vehicles)

Fiscal Year Ended June 30,	San Francisco–Oakland Bay Bridge	Carquinez Bridge	Benicia–Martinez Bridge	San Mateo–Hayward Bridge	Richmond–San Rafael Bridge	Dumbarton Bridge	Antioch Bridge	Total	Percent Change
1996	44,427,964	18,693,166	16,689,275	13,288,159	10,263,491	9,529,779	1,706,651	114,598,485	1.9%
1997	44,150,583	18,576,776	16,899,083	13,761,087	10,587,292	9,953,143	1,702,543	115,630,507	0.9
1998	44,729,012	18,796,163	16,573,534	13,754,628	10,765,330	9,908,270	1,665,212	116,192,149	0.5
1999	44,533,697	19,651,975	16,493,049	13,955,433	11,200,739	9,793,520	1,757,864	117,386,277	1.0
2000	44,855,956	20,461,648	16,813,906	14,409,281	11,841,371	10,399,814	1,909,697	120,691,673	2.8
2001	45,168,355	21,193,743	17,158,684	14,072,286	12,276,754	10,948,299	2,115,873	122,933,994	1.9
2002	45,117,544	21,677,767	17,732,756	13,725,980	12,468,123	10,778,861	2,325,423	123,826,454	0.7
2003	44,995,916	21,823,764	17,794,558	14,342,756	12,513,519	10,223,777	2,354,103	124,048,393	0.2
2004	44,646,387	22,053,941	17,987,638	15,201,496	12,398,819	9,976,620	2,477,631	124,742,532	0.6
2005	43,357,197	21,344,225	17,116,312	14,789,420	11,758,224	9,297,568	2,472,267	120,135,213	(3.7)

Source: Caltrans.

Caltrans believes that declines in traffic counts for toll-paying traffic in the 2004-05 fiscal year may be attributed to, among other factors, ongoing construction and resulting congestion on and temporary closures of the San Francisco-Oakland Bay Bridge, particularly the west approach, and deficiencies in the accuracy and maintenance of automated toll collection equipment. Delays in maintenance of the equipment likely contributed to some inaccuracy in traffic counts and, more specifically, under-counts of traffic and a corresponding reduction in toll revenue. Caltrans does not have data suggesting which and to what extent any of the foregoing factors contributed to such decline in traffic in the 2004-05 fiscal year. However, Caltrans does not believe that the lower traffic counts are the beginning of a new trend in traffic patterns.

The Authority has made and continues to make modifications to the ETC and toll operating process that are designed to correct toll processing errors identified during the 2004-05 fiscal year. These changes include a maintenance contract with ACS State and Local Solutions, Inc. ("ACS"), a provider of transportation revenue collection, accounting and other services, to provide maintenance services for the ETC lane equipment and lane, plaza and host software and hardware systems on the System Bridges. ACS's workscope includes performing scheduled preventive and on-call remedial maintenance and repairs of the ETC system lane equipment (e.g. treadles, light curtains, etc.), and system administration services. Beginning in September 2005, ACS assumed ETC maintenance responsibilities. ACS has completed a system assessment of the toll lane equipment, made a number of repairs to camera and other system components for each of the System Bridges and ACS is currently carrying out ongoing remedial and routine maintenance services. The ACS maintenance contract runs to 2010 and may be extended for up to two additional three-year periods.

The Authority will continue to assess the performance of the ETC and toll operation process, but it believes that additional modifications may still be needed to improve the accuracy of traffic counts. However, the Authority believes that any continued delays or inaccuracies in traffic count data will not materially affect its toll revenue collections or its ability to satisfy its financial covenants.

The following table sets forth toll revenues for fiscal years ended June 30, 1996 through June 30, 2005.

TOLL REVENUES

Fiscal Year Ended June 30,	RM Toll Paid by 2-axle Vehicles[1]	RM Toll Paid by Other Toll Vehicles[3]	Seismic Surcharge Revenues[4]	Total Operating Revenues[3]	Percent Change
1996	$107,541,286	$21,658,448	$ –	$129,199,734	2.0%
1997	108,865,724	22,712,787	–	131,578,511	1.8
1998	110,100,586	23,507,777	56,315,184	189,925,545	44.3
1999	111,834,302	24,963,494	117,892,724	254,692,519	34.1
2000	114,844,129	25,890,554	120,828,462	261,565,145	2.7
2001	116,787,718	26,929,976	122,215,821	265,935,516	1.7
2002	118,614,268	25,615,884	124,000,335	268,232,489	0.9
2003	120,558,863	25,546,243	124,170,551	270,277,660	0.8
2004	121,142,678	25,955,194	124,874,996	271,974,872	0.6
2005[2]	220,607,099	29,963,695	120,361,270	370,932,064	36.4

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(1) Vehicle classifications changed on October 1, 1997. Through September 1997, represents toll revenues collected from Class 1 Vehicles which included 2-axle, 4-wheel trucks and Class 1 vehicles drawing up to a 3-axle trailer. After September 1997, represents tolls paid by any vehicle with 2 axles.

(2) Reflects imposition of additional $1.00 toll under RM2 effective on July 1, 2004 (resulting in an RM Toll of $2.00 for toll paying two-axle vehicles); however, for the period between July 1, 2004 and October 31, 2004, passage for 2-axle vehicles using the ETC system was charged at the RM Toll rate of $1.00.

(3) Includes non-toll operating revenues reported in the Authority's audited financial statements as "Credit fees and miscellaneous/others" in Fiscal Years 1995 through 1998 and as "Other Operating Revenues" in Fiscal Years 1999 through 2005.

(4) The Seismic Surcharge was imposed beginning on January 1, 1998. Seismic Surcharge revenues in fiscal year ended June 30, 1998, reflect the fact that the Seismic Surcharge was implemented halfway into that fiscal year.

Source: Caltrans and the Authority.

Toll Collection

Cash toll payments on the Bridge System are collected at toll booths staffed by employees of Caltrans. As of July 1, 2004, the Authority assumed responsibility from Caltrans for processing all toll cash collections, including cash vault and other cash management services such as transport and deposit.

In 2000 Caltrans completed installation of an automated toll collection and accounting system on all toll bridges by which tolls may be collected electronically. The ETC process consists of three components: a transponder, which is placed inside the vehicle; an overhead antenna, which reads the transponder and charges the toll to the driver's ETC account; and video cameras to identify toll evaders. The overhead antenna reads the transponder as the vehicle passes through the toll plaza. The ETC system determines the appropriate toll for the vehicle and automatically deducts that toll from the driver's prepaid account allowing the vehicle to continue without stopping at the toll booth. Drivers have the ability to replenish their ETC account by authorizing automatic charges to a credit card. As of February 2006, approximately 40% of peak period total toll paying traffic and 38% of total toll paying traffic were ETC users.

Pursuant to a cooperative agreement between the Authority and the Golden Gate Bridge, Highway and Transportation District, the Authority provides management oversight of the ETC customer service centers for the Bridge System and for the Golden Gate Bridge. Current ETC customer service center activities include the establishment and maintenance of customer accounts, the issuance of transponders, the processing of payments, the handling of funds, the replenishment of credit card accounts, the issuance of quarterly statements to customers, the delivery and tracking of violation notices, the collection of violation fees and the operation of a telephone information center and walk-in customer services. In December 2003, the Authority executed a 5-year contract with ACS, to operate the existing centers and to develop and operate a consolidated ETC customer service center.

Toll Operations and Maintenance

The Authority adopts an annual toll collection operating budget (the "Operating Budget"). The Authority's Operating Budget includes certain costs for operation and maintenance of the Bridge System, the costs of operation of the ETC system, cash management, toll accounting administration and finance, as well as MTC Transfers and certain other items.

The Cooperative Agreement between the Authority and Caltrans

Caltrans is responsible for maintaining the Bridge System in good repair and condition, in accordance with standards applicable to all State highways and bridges. Caltrans and BATA are required to operate the toll collection system under a cooperative agreement.

The Cooperative Agreement, dated as of July 1, 2003 (as it may be amended from time to time, the "Cooperative Agreement"), between the Authority and Caltrans, (1) allocates funding responsibilities for the operation and maintenance of the Bridge System between the Authority and Caltrans, and (2) defines the methodology by which the Authority will establish budget limits on the amount of funding that the Authority will make available to Caltrans for toll collection operations, as well as Category A Maintenance Expenditures and Category B Maintenance Expenditures (as described below). The Cooperative Agreement is scheduled to expire on June 30, 2013, however, the Cooperative Agreement is currently being renegotiated in part to reflect recent changes to the Act.

Category A and Category B Maintenance Expenditures

California Streets and Highways Code Section 188.4 provides that maintenance expenditures on the Bridge System are classified as Category A Maintenance Expenditures or Category B Maintenance Expenditures.

"Category A Maintenance Expenditures" consist of normal highway maintenance costs (see Section 188.4 of the California Streets and Highways Code). Category A Maintenance Expenditures include the costs of maintenance of the System Bridges and other structures, roadbeds, pavement, drainage systems, debris removal, landscaping, traffic guidance systems, ice controls, dedicated bridge maintenance stations and maintenance training. Category A Maintenance Expenditures on all System Bridges, except the San Francisco-Oakland Bay Bridge, are payable from Bridge Toll Revenues. Category A Maintenance Expenditures on the San Francisco-Oakland Bay Bridge currently are payable from the State Highway Account, an account within the State Transportation Fund where all funds available from any source for expenditure on work within the control of Caltrans are deposited until Seismic Retrofit Program work is completed. Upon completion of Seismic Retrofit Program work on the San Francisco-Oakland Bay Bridge, Category A Maintenance Expenditures with respect to that bridge will be payable from Bridge Toll Revenues.

Category A Maintenance Expenditures are Subordinated Maintenance Expenditures as defined in the Indenture. Payment of Category A Maintenance Expenditures is subordinate to the Authority's obligation to pay principal of and interest on the Bonds and Parity Obligations. See " –Historical Revenue, Expenditures and Debt Service Coverage" below.

"Category B Maintenance Expenditures" includes all expenses related to maintenance and reconstruction work of those facilities such as toll facility administration buildings and toll booths which are constructed primarily for the purposes of collecting tolls. Category B Maintenance Expenditures are a component of Operations & Maintenance Expenses as defined under the Indenture and have a statutory lien on Bridge Toll Revenues prior to the lien on Bridge Toll Revenues for the payment of annual debt service on the Bonds and Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS."

Operations and Maintenance Fund

The Indenture provides that at the beginning of each Fiscal Year, the Authority shall deposit in its Operations and Maintenance Fund from Bridge Toll Revenues on deposit in the Bay Area Toll Account such amount as shall be necessary so that the amount on deposit in the Operations and Maintenance Fund shall equal two times the budgeted Operations & Maintenance Expenses for the Fiscal Year. Amounts on deposit in the Operations and Maintenance Fund are to be used and withdrawn by the Authority solely to pay Operations & Maintenance Expenses and are not pledged to the payment of the Bonds or Parity Obligations. The balance in the Operations and Maintenance Fund as of July 1, 2005 was approximately $125 million. See "-Toll Operations and Maintenance" above.

The Indenture also provides that in the event that Bridge Toll Revenues on deposit in the Bay Area Toll Account are not sufficient at the beginning of any Fiscal Year to enable the Authority to make the transfer described above at the beginning of such Fiscal Year, the Authority shall not be required to make such transfer for such Fiscal Year and failure of the Authority to make such transfer shall not constitute an Event of Default under the Indenture for as long as the Authority shall punctually pay the principal of and interest on the Bonds as they become due and observe and comply with the toll rate covenants in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS –Toll Rate Covenants" and APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Covenants of the Authority-Punctual Payment."

Transfers to MTC

The annual operating budget of the Authority provides for certain fund transfers to MTC for certain transit purposes. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS—Toll Rate Covenants." These fund transfers are subordinate to the Authority's obligation to pay principal of and interest on the Bonds and Parity Obligations. The following is a description of such fund transfers (the "MTC Transfers").

"AB 664 Net Toll Revenue Reserve Transfer" means the transfer of an amount equal to the funds generated from a 1977 toll increase on the three System Bridges which comprise the Southern Bridge Group, the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge. Amounts allocated to these AB 664 Net Toll Revenue Reserves based upon a charge of 25¢ per two-axle vehicle on the San Francisco-Oakland Bay Bridge and 5¢ per two-axle vehicle on the San Mateo-Hayward and Dumbarton Bridges. The calculation of such amount is equal to 16 percent of the revenue generated each year from the collection of the RM Toll at its level in existence for the 2001-02 fiscal year on the San Francisco-Oakland Bay Bridge, the San Mateo-Hayward Bridge, and the Dumbarton Bridge. These funds are allocated to capital projects that further the development of public transit in the vicinity of the Southern Bridge Group toll bridges, including transbay and transbay feeder transit services.

"Two Percent Transit Reserves Transfer" means the transfer of an amount of up to 2% of the revenue generated by the collection on all of the System Bridges of the RM Toll at its level in existence for the 2001-02 Fiscal Year (which was prior to the increase instituted under RM2). The Authority is authorized under law to transfer Two Percent Transit Reserves to MTC on an annual basis for distribution by MTC. Two-thirds of the Two Percent Transit Reserves are required to be applied by MTC to transportation projects that will help reduce vehicular congestion and improve bridge operations on any of the System Bridges. The remaining one-third of the Two Percent Transit Reserves would be applied by MTC for planning, construction, operation and acquisition of rapid water transit systems. However, federal legal limitations on toll revenue expenditures preclude MTC from making any allocations of toll revenues from certain System Bridges for transit operating programs. Pursuant to a Cooperative Agreement Regarding Transit Operations, dated April 26, 2000, among the Authority, MTC and Caltrans, Caltrans agreed to provide funding to MTC in an amount equivalent to the portion of the Two Percent Transit Reserves that would otherwise be allocated to rapid water transit operations and MTC agreed to eliminate the use of the Two Percent Transit Reserves for transit operations.

"Rail Extension Reserves Transfer" means the transfer of an amount equal to a portion of revenues derived from the San Francisco-Oakland Bay Bridge calculated as 21% of the revenue generated each year on the San Francisco-Oakland Bay Bridge from the collection of the RM Toll on two-axle vehicles at its $1.00 RM Toll level in existence for the 2001-02 Fiscal Year (which was prior to the increase instituted under RM2). Rail Extension Reserves are transferred by the Authority to MTC on an annual basis to be applied by MTC to rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge.

"Regional Measure 2 Operating Transfers" means transfers by the Authority to MTC to provide operating assistance for transit purposes pursuant to RM2 and Section 30914(d) of the Streets and Highways Code. The measure provides that not more than 38% of annual Bridge Toll Revenues derived from the RM Toll rate increase imposed in conjunction with RM2 ($1.00 in the case of all vehicles regardless of the number of axles) may be transferred to the MTC as Regional Measure 2 Operating Transfers, and that all such transfers must first be authorized by the MTC. Under Section 129(a)(3) of Title 23 of the United States Code, federal participation is limited on facilities that expend toll revenues for certain types of projects, including transit operations. MTC has received an opinion from the Federal Highway Administration ("FHWA") that transit planning is an eligible expense and, as such, the Authority has made transfers to MTC for such purpose. MTC also has received an opinion from FHWA that it may expend toll funds on transit operations, if such funds are collected on bridge facilities that have not received Federal assistance. There are four System Bridges (Dumbarton, San Mateo-Hayward, Carquinez and Antioch) that have not received Federal assistance. The Authority expects that tolls from such four System Bridges will be sufficient to make Regional Measure 2 Operating Transfers.

"Authority Administrative Costs Transfer" means the transfer of an amount which the Authority may retain on an annual basis, after payment of debt service on Outstanding Bonds and the costs of Operation and Maintenance Expenses, for its cost of administration pursuant to Section 30958 of the Act, such amount not to exceed 1% of the gross annual bridge revenues. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants of the Authority - Toll Rate Covenants."

The following table sets forth transfers to MTC for AB 664 Net Toll Revenue Reserves, Two Percent Transit Reserves, Rail Extension Reserves, Regional Measure 2 Operating Transfers and Authority Administrative Costs Transfers for Fiscal Years ended June 30, 2002 through June 30, 2005. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS—Toll Rate Covenants."

TRANSFERS TO MTC
($ in millions)

Fiscal Year Ended June 30,	AB 664 Net Toll Revenue Reserves Transfer	Two Percent Transit Reserves Transfer	Rail Extension Reserves Transfer	Regional Measure 2 Operating Transfers	Authority Administrative Costs Transfer	Total
2002	$12.48	$1.17	$10.01	-	$1.59	$25.25
2003	12.28	1.00	9.97	-	1.64	24.89
2004	12.29	1.00	10.03	-	1.85	25.17
2005	11.91	0.94	9.90	6.82[1]	3.29	32.86

(1) Regional Measure 2 Operating Transfers are expected to increase in future years as additional eligible operating programs are implemented.

Source: The Authority.

Historical Revenue, Expenditures and Debt Service Coverage

The following table sets forth historical revenue, expenditures and debt service coverage with respect to the Bridge System for Fiscal Years ended June 30, 2002 through 2005.

BRIDGE SYSTEM
Historical Revenue, Expenditures and Debt Service Coverage
($ in thousands)

Fiscal Year Ended June 30,	2002	2003	2004	2005
Revenue				
Toll Revenues(1)	$142,337	$144,200	$145,176	$248,141
Interest Earnings	45,134	25,434	11,007	21,235
Other Revenues	2,489	2,307	2,400	4,090
Total Revenue	$189,959	$171,941	$158,583	$273,466
Operations & Maintenance Expenses	$32,329	$38,694	$47,851(2)	$54,035(2)
Net Revenue	$157,630	$133,247	$110,732	$219,431
Debt Service on Bonds and Parity Obligations	$13,358	$20,441	$26,663	$35,374
Debt Service Coverage(3)	11.80x	6.52x	4.15x	6.20x
Category A Maintenance Expenditures(4)	$3,406	$2,271	$2,187	$1,593
MTC Transfers	$25,249	$24,892	$25,163	$32,859

(1) Does not include Operating Revenues reported in the Authority's audited financial statements as "Other Operating Revenues" in Fiscal Years ended June 30, 2002 through 2005. Does not include Seismic Surcharge revenue. Upon the defeasance of the Infrastructure Bank Bonds (as hereinafter defined), all tolls collected on the Bridge System will be Bridge Toll Revenues. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2006F BONDS."

(2) Increases in Operations & Maintenance Expenses in fiscal years ended June 30, 2004 and 2005 are attributable in significant part to the development and implementation of a new consolidated ETC service center. See "-Toll Collection" above.

(3) Equals Net Revenue divided by Debt Service on Bonds and Parity Obligations. See "SUMMARY OF FINANCING PLAN - Projected Revenue, Operations & Maintenance Expenses and Debt Service Coverage."

(4) Does not include Category A Maintenance Expenditures with respect to the San Francisco-Oakland Bay Bridge. Prior to fiscal year 2005-06 Category A Maintenance Expenditures were not payable from Bridge Toll Revenues. Beginning in fiscal year 2005-06, Category A Maintenance Expenditures other than with respect to the San Francisco-Oakland Bay Bridge are payable from Bridge Toll Revenues. See " – Toll Operations and Maintenance - Category A and Category B Maintenance Expenditures" above.

Note: Totals may not add due to independent rounding of numbers.
Source: The Authority, except information regarding Category A Maintenance Expenditures provided by Caltrans.

CAPITAL PROJECTS AND FUNDING

Regional Measure 1 Projects

In 1988, Bay Area voters approved RM1 and the highway and bridge enhancement projects set forth therein (the "RM1 Projects"). The RM1 Projects have all been completed but for (i) the construction of the new Benicia-Martinez Bridge, (ii) the demolition of the old Carquinez Bridge, (iii) the Richmond-San Rafael Bridge deck resurfacing and (iv) the I-880/SR-92 Interchange improvements described below. The following are summary descriptions of all of the RM1 Projects.

New Benicia-Martinez Bridge. RM1 identified the need for the construction of a new bridge parallel to the original Benicia-Martinez Bridge. The new bridge project will include five northbound lanes on the new bridge, construction of a new toll plaza south of the new bridge in Contra Costa County, and reconstruction of the Interstate 680/Marina Vista Road and Interstate 680/Interstate 780 interchanges. Upon opening of the new span, the existing span will be modified and dedicated to southbound motor vehicle traffic and will include a new bicycle/pedestrian lane. All major construction contracts to construct the new bridge and its approaches have been awarded and are under construction. The new bridge is expected to be opened to traffic in 2007.

Carquinez Bridge Replacement. A new western span of the Carquinez Bridge constructed as part of RM1 opened to traffic in November 2003. It is a twin towered, suspension bridge and features three mixed-flow lanes, a carpool lane and a bicycle and pedestrian pathway. The improvements have increased traffic capacity of the bridge. The original 1927 western span of the Carquinez Bridge was determined by Caltrans to be seismically deficient and was replaced with the new western span. The original 1927 bridge is currently being demolished, with such demolition scheduled to be completed in 2007.

Richmond-San Rafael Bridge Deck Resurfacing and Richmond-San Rafael Bridge Trestle, Fender and Deck Joint Rehabilitation. Under RM1 there are two major rehabilitation projects for the Richmond-San Rafael Bridge: (1) replacement of the western approach trestle and ship-collision protection fender system on the bridge and (2) deck joint rehabilitation and resurfacing of the superstructure bridge deck. Caltrans has completed replacement of the western trestle and fender system and deck joint rehabilitation as a part of its seismic retrofit contract on the bridge, and is expecting to complete resurfacing of the superstructure bridge deck in 2007.

Interstate 880/State Route 92 Interchange. RM1 also contemplates reconstruction of the Interstate 880/State Route 92 Interchange. The existing interchange will be modified to increase capacity and improve safety and traffic operations. The project has undergone environmental review and is currently in the design and right-of-way acquisition phase. The FHWA released the Final EIS/R in December 2003 and issued its Record of Decision for the project in July 2004, later than originally anticipated. The delay in the environmental review process and the State's lengthy process to procure the necessary right-of-way has resulted in delays in the project and increases in estimated costs. While Caltrans and the Authority are working to improve the project schedule, the project is now forecasted to begin in 2006 and be completed in 2010. The Authority expects the improvements to increase traffic capacity on the San Mateo-Hayward Bridge corridor.

Richmond Parkway. In May 2001, construction was completed on an eastern approach (the "Richmond Parkway") between the Richmond-San Rafael Bridge and Interstate 80 near Pinole.

San Mateo-Hayward Bridge Widening. As part of RM1, the concrete trestle section of the San Mateo-Hayward Bridge was expanded to three lanes in each direction to match the configuration of the skyway steel section. The project also included the widening of the eastern approach to the bridge from U.S. Interstate 880 and the addition of toll booths and a new pedestrian overcrossing. The western approach to the bridge connects to U.S. Route 101 in San Mateo County and was widened in the early 1990's. The new trestle was fully opened to traffic in early 2003 and completed in mid-2003.

Bayfront Expressway (SR-84) Widening. In April 2004, construction was completed on a project to widen the Bayfront Expressway (SR-84) from the Dumbarton Bridge to the U.S. 101/Marsh Road interchange.

US-101/University Ave. Interchange Improvement. In January 2004, construction was completed on modifications to the U.S. 101/University Avenue interchange.

Regional Measure 2 Projects

In March 2004 Bay Area voters approved RM2, approving funding of the transit, highway and bridge enhancement and improvement projects specified therein (the "RM2 Projects.") A complete list of all RM2 Projects and the Authority funding authorized therefor is set forth in APPENDIX G – "REGIONAL MEASURE 2 PROJECTS."

MTC may allocate funds to RM2 Projects after submission and review of a project report requesting allocation by the project sponsor. The Authority is the project sponsor for the new span of the Benicia-Martinez Bridge. The remaining RM2 Project sponsors are various other public entities in the Bay Area. Generally RM2 funds only a portion of the total RM2 Project costs. The Authority is under no obligation to provide capital funding to any project beyond the amount expressly provided in the Act.

Seismic Retrofit Program Capital Projects

Following the October 17, 1989, Loma Prieta earthquake (the "Loma Prieta Earthquake"), Caltrans began research and planning for the seismic retrofitting of certain bridges. The need for seismic retrofitting of certain State owned toll bridges was recognized by the State Legislature in Section 188.5 and 188.6 of the California Streets and Highways Code (the "Seismic Retrofit Program").

The Seismic Retrofit Program projects contemplated for the Bridge System include seismic upgrade work on the original Benicia-Martinez Bridge span, the eastern span of the Carquinez Bridge, the San Mateo-Hayward Bridge and the Richmond-San Rafael Bridge, the west span and the current east span of the San Francisco-Oakland Bay Bridge, and the replacement of the east span and the west approach of the San Francisco-Oakland Bay Bridge. Other Seismic Retrofit Program projects include seismic retrofit upgrade work on the Vincent Thomas Bridge and the San Diego-Coronado Bridge. Seismic Retrofit Program project construction is administered by Caltrans.

All of the Seismic Retrofit Program projects have been completed except for the west approach and the new east span of the San Francisco-Oakland Bay Bridge.

San Francisco-Oakland Bay Bridge –Western Approach

The Seismic Retrofit Program projects include replacement of the western approach to the west span of the bridge. Replacement of the western approach is approximately 65% complete and is scheduled to be completed in August 2009. All major construction contracts for the western approach have been awarded.

San Francisco-Oakland Bay Bridge – East Span

In June 2000, Caltrans completed an interim seismic retrofit on the east span of the San Francisco-Oakland Bay Bridge to reduce the risk to the public of a moderate level earthquake prior to the construction of a new east span. The interim retrofit contract encompassed the entire existing east span of the San Francisco-Oakland Bay Bridge from Yerba Buena Island to Oakland, including the viaduct connecting the tunnel to the bridge on Yerba Buena Island. This contract added reinforcement to strengthen bridge sections in critical areas, replaced rivets with high strength bolts, and reduced deck drop risk by increasing support widths and/or adding restraining devices.

The longer-term seismic retrofit strategy for the east span of the San Francisco-Oakland Bay Bridge is to replace the existing east span. The new east span is designed to be 2.2 miles long on an alignment parallel to and north of the existing east span. The existing east span will be demolished after the new east span is opened to traffic. The new east span consists of a transition off Yerba Buena Island, a self-anchored suspension bridge span, a skyway and an approach/touchdown in Oakland. Upon completion as currently planned, the self-anchored suspension bridge span will be the world's longest single tower self-anchored suspension structure. It is designed to be approximately 2,051 feet long and approximately 525 feet high, matching the tower heights on the west span, with 8-foot diameter foundation piles that are expected to be 300 feet deep, three times deeper than the existing east span piles. The new east span will include two side-by-side bridge decks, each with five lanes plus shoulders and a bicycle/pedestrian path. The final environmental impact report for the new east span was certified on July 11, 2001.

Status of Construction Contracts

To date, eight construction contracts relating to the new east span have been completed. The remaining construction of the new east span is currently expected to be conducted under 12 major construction contracts. These remaining contracts are roughly attributable to four primary segments of the new east span: the Oakland touchdown, the skyway, the self-anchored suspension span ("SAS") and the Yerba Buena Island transition.

Three of such contracts (the skyway contract, the Yerba Buena Island south/south detour contract and the SAS marine foundations contract) are currently under construction. The skyway contract is for the 1.1 mile skyway portion of the new east span extending from the Oakland touchdown of the bridge to the SAS and is currently about 87% complete. The south/south detour contract is for the construction of temporary detour structures on Yerba Buena Island which would route traffic from the existing east span around the construction area while portions of the existing east span are demolished and the new Yerba Buena Island transition structure is constructed and is approximately 37% complete. The SAS marine foundations contract is for the inwater foundations upon which the SAS superstructure will be constructed and is approximately 31% complete. On March 20, 2006, Caltrans awarded a contract for stormwater treatment measures.

On March 22, 2006, two bids to construct the SAS superstructure were received. The bids are currently under review. The apparent lower bid was submitted by a joint venture of American Bridge Company and Fluor Corporation indicated an amount of approximately $1.434 billion. The apparent amount of the other bid was $1.681 billion and was submitted by a joint venture of Kiewit Pacific, Manson Construction Co. and Koch Skanska. There is no assurance that the bids received conform to the requirements for bids that were advertised. If one or both of the bids do conform to such requirements, the contract may be awarded to a qualified bidder on or before April 21, 2006. The estimated cost at completion assumes an SAS contract is awarded in the bid amount of approximately $1.45 billion. See "-Estimated Cost of Seismic Retrofit" below.

Seven other contracts for the new east span are in the design phase. These include up to four contracts for the Oakland touchdown, two contracts for the Yerba Buena Island transition structure and a contract for demolition of the existing east span.

Estimated Cost of Seismic Retrofit

The following table sets forth the status, estimated costs at completion and estimated completion date with respect to the remaining east span contracts and completed east span contracts, estimated right-of-way and environmental mitigation costs and estimated capital outlay support costs for the east span, as reported by Caltrans in a report released in April 2006.

Contract	Status	Estimated Cost at Completion ($ in millions) [1]	Estimated Completion Date
Skyway	Under Construction	$1,293	April 2007
Yerba Buena Island south/south detour	Under Construction	132	July 2007[4]
SAS marine foundations	Under Construction	314	March 2008
Stormwater Treatment Measures	Awarded	15	July 2008
SAS superstructure	Bids Received[2]	1,767[2]	March 2013[3]
Yerba Buena Island transition structure	In Design	318	May 2014[4]
Oakland touchdown (aggregate of up to four contracts)	In Design	273	May 2014[4]
Existing east span demolition	In Design	222	March 2015[4]
Completed Contracts	--	90	--
Right-of-Way and Environmental Mitigation	--	72	--
Capital Outlay Support	--	977	--
Other Budgeted Capital	--	13	--
TOTAL		$5,487	

(1) Includes project contingency.
(2) On March 22, 2006, two bids to construct the SAS superstructure were received in the respective apparent amounts of $1.434 billion and $1.681 billion. The bids are currently under review. There is no assurance that the bids received conform to the requirements for bids that were advertised. If one or both of the bids do conform to such requirements, the contract may be awarded to a qualified bidder on or before April 21, 2006. The estimated cost at completion assumes an SAS contract is awarded in the bid amount of approximately $1.45 billion.
(3) In order to hasten the completion date, Caltrans has provided for monetary incentives for completion ahead of schedule. The March 2013 completion date assumes the SAS superstructure contract is completed six months ahead of contract schedule in accordance with such incentives.
(4) Contract schedules are being further assessed due to changes in the SAS superstructure contract schedule. Completion dates assume SAS superstructure contract is completed six months ahead of contract schedule as described in the preceding note 3.
Note: Totals may not add due to independent rounding of numbers.
Source: Caltrans.

Caltrans has identified certain substantial risks with respect to the costs of the new east span and with respect to construction delays. In a report released in April 2006, Caltrans stated that the results of a preliminary SAS superstructure and SAS marine foundations quantitative schedule risk analysis conducted by Caltrans indicated that there is approximately an 80% probability that the SAS contract date of completion may be extended by up to 21 months from the schedule planned at the time of adoption of the 2005 Legislation (defined below). Such delays would result in an escalation of cost estimates. However, the report noted a significant reduction in the magnitude of such risk of delay due in part to SAS contract addenda. See "Status of Construction Contracts" above.

In addition, certain other construction related risks may result in additional cost beyond those estimated by Caltrans. See "RISK FACTORS – Construction Delays and Cost Escalation."

Absent further delays, the new east span is currently scheduled to be open for traffic in the westbound direction in 2012 and in the eastbound direction in 2013. Completion of the new east span is scheduled for 2014. Demolition of the existing east span will follow with completion expected in 2015. However, no assurance can be given that this schedule will be achieved.

Oversight Committee

Assembly Bill No. 144 ("AB 144") was enacted and became effective on July 18, 2005, amending the Act and certain sections of the Streets and Highways Code relating to the Seismic Retrofit Program. AB 144 was modified by Senate Bill No. 66 ("SB 66," and together with AB 144, the "2005 Legislation") which became effective on September 29, 2005. The 2005 Legislation established the Toll Bridge Program Oversight Committee (the "Oversight Committee") which has implemented a project oversight and project control process for the Benicia-Martinez Bridge project and the Seismic Retrofit Program projects. The Oversight Committee consists of the Director of Caltrans, the Executive Director of the California Transportation Commission (the "CTC") and the Executive Director of the Authority. The Oversight Committee's project oversight and control processes include, but are not limited to, reviewing bid specifications and documents, providing field staff to review ongoing costs, reviewing and approving significant change orders and claims (as determined by the Oversight Committee), and preparing project reports. However, pursuant to the 2005 Legislation, all contract specifications and bid documents will be developed by Caltrans and must be reviewed and approved by the Authority prior to their release. Caltrans is responsible for the award of all contracts.

Caltrans is required to provide monthly reports to the Oversight Committee regarding construction status, actual expenditures, and forecasted costs and schedules for the Benicia-Martinez Bridge project and the Seismic Retrofit Program projects. The monthly reports that are reviewed and approved by the Oversight Committee are provided to the Authority. The Oversight Committee is required to provide quarterly reports with respect to the Seismic Retrofit Program projects to the transportation and fiscal committees of both houses of the State Legislature and the California Transportation Commission. Copies of such monthly and quarterly reports may be found at the Authority's web site.

Ground Motions and Seismic Design Strategy for the Bridge System

The criteria used to determine post-earthquake performance standards for the Bridge System were specific to each System Bridge and were continuously evaluated and refined by Caltrans during planning and design. The engineering was reviewed by an independent panel of recognized experts from the private sector and academia.

Each seismic retrofit project was designed based upon a determination of the ground motions (earthquake forces) that influence a particular bridge in the event of an earthquake. Caltrans used design seismic ground motions with a return period between 1,000 and 2,000 years across an appropriate spectrum of response frequencies. Each of these motions was defined differently for each bridge site, as the seismic hazard at each site is different (different faults, different distances, etc.).

All of the System Bridges that were evaluated by Caltrans have been designed or retrofitted, at a minimum, to avoid a collapse if the 1,000 to 2,000 year return period ground motions used to design the projects were to occur at the respective sites. A decision was made in the case of each bridge as to how much should be invested beyond the "no collapse" life safety level. The design strategy selected for each of the System Bridges was based on levels of traffic use, expected useful life of the bridge, the cost of a higher earthquake performance level, and other considerations. Certain bridges were designated "Lifeline Structures" for which seismic strategy incorporates designs intended to exhibit performance levels superior to those levels associated with the "no collapse" design strategy and intended to create a post-earthquake condition in which Caltrans can put the bridge back into public service relatively quickly following a seismic event. A third seismic strategy, the "intermediate strategy," was adopted for certain System Bridges and is intended to provide a level of performance with an expectation of damage and closure, but with a higher performance than that of the "no collapse" strategy and a lower performance than that of the Lifeline Structure.

The following table describes the design basis and status for each of the System Bridges that have been retrofitted or are undergoing retrofit work, or that have been or will be constructed under, the Seismic Retrofit Program or RM1. A description of certain studies undertaken by Caltrans with respect to the Antioch Bridge and the Dumbarton Bridge is set forth under the caption " - Antioch Bridge and Dumbarton Bridge" below.

Bridge	Seismic Strategy	Status and Retrofit Actual or Projected Completion Date
Benicia – Martinez (existing span)(1)	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly	Completed August 2002
Benicia – Martinez (new span)(2)	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly	Under Construction Until December 2007
Carquinez (existing east span)(1)	Intermediate Strategy Moderate to major damage expected	Completed January 2002
Carquinez (new west span)(2)	Intermediate Strategy Moderate to major damage expected	Completed November 2003
Richmond – San Rafael(1)	"No Collapse" Strategy Avoid catastrophic failure	Completed October 2005
San Francisco – Oakland (east span) (1)(3)	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly – interim retrofit followed by replacement of span	Interim Retrofit Completed June 2000 New East Span Under Construction Until 2012 (Westbound traffic open) 2013 (Eastbound traffic open) 2014 (Completion) 2015 (Demolition of prior East Span)
San Francisco – Oakland (west span) (1)	Lifeline Structure Minor to moderate damage expected, reopen to traffic quickly	Bridge Span Completed June 2004 Western Approach Under Construction Until August 2009
San Mateo – Hayward(1)	Intermediate Strategy Moderate to major damage expected	Completed June 2000

(1) A Seismic Retrofit Program project.
(2) A RM1 Project
(3) The interim retrofit of the existing east span of the San Francisco-Oakland Bay Bridge does not result in a seismic performance level at the Lifeline Structure standard.
Source: Caltrans.

Antioch Bridge and Dumbarton Bridge

Past reviews of historic bridge performance during large California earthquakes indicate bridges designed after 1971 have performed well and better than pre-1971 bridge designs. The Legislature has provided Caltrans with dedicated resources for seismic research since 1999. This research has provided a better understanding of earthquakes and the performance of bridges during these events. With this knowledge, Caltrans reassesses the seismic hazard and engineering performance of existing, retrofitted and new structures against the current state of knowledge to ensure that these structures perform in an acceptable manner under anticipated ground motion. Research developed over the past decade has provided a better understanding of seismic hazards and performance.

In the cases of the Antioch Bridge and the Dumbarton Bridge, their original designs were based upon design criteria available after 1971. In the early 1990's, Caltrans determined that these two structures had the seismic resistant features required by the post-1971 codes and were not likely to be vulnerable during a major seismic event. Since that time, Caltrans has pursued a seismic research program, and based on the results of that program, significantly revised its seismic practices.

Caltrans recently completed limited seismic vulnerability studies of the Antioch Bridge and the Dumbarton Bridge. Such seismic vulnerability studies were not complete seismic analyses of such structures, but were an investigation of a few representative bents to determine the likelihood of the need for seismic retrofit. Given the limitations of the vulnerability studies, Caltrans has stated that there is insufficient evidence to conclusively determine the performance of the bridges during a maximum credible seismic event. However, these preliminary studies indicate that the performance of these structures is governed by the response of the foundations to a maximum credible seismic event and that such an event could result in large foundation displacements and rotations with resulting deformations that cannot be easily repaired. These displacements and rotations may result in damage to the superstructure and possibly damage to the piles. While the Dumbarton Bridge and the Antioch Bridge may meet performance standards, Caltrans believes that a more comprehensive technical study is necessary to understand the performance of these structures during a maximum credible seismic event. Such a study is necessary to accurately determine the structures' response and to develop any necessary retrofit strategies. A comprehensive geotechnical study using the latest analysis techniques is likely necessary in order to perform this level of analysis. Preliminary geotechnical assessments conducted by Caltrans indicate that the seismic response of these structures is largely dependent on soil conditions and that a comprehensive geotechnical investigation is essential for understanding the structures' performance during a seismic event. A value analysis team has been formed to further define the geophysical investigation requirements which will be required to complete the strategy report for the project.

Seismic retrofit of the Antioch Bridge and the Dumbarton Bridge is not currently included in the Seismic Retrofit Program. However, State law could be modified to include additional seismic retrofit projects, including projects on the Antioch Bridge and the Dumbarton Bridge.

Caltrans' bridge design standards are subject to ongoing review and modification as knowledge about earthquakes increases. Each of the System Bridges is reevaluated as standards are improved. There can be no assurance, however, that the design strategies employed at any given time will perform to expectations. See "RISK FACTORS—Risk of Earthquake."

Bridge Rehabilitation Program

In addition to the RM1 Projects, RM2 Projects and Seismic Retrofit Program projects, the Authority funds other capital rehabilitation and operational improvement projects on the System Bridges and their approaches. The Authority has developed a ten-year rehabilitation program through Fiscal Year 2013-14 that funds projects designed to maintain and ensure the long-term safe operation of the Bridge System and associated toll facilities. The Authority currently anticipates funding from tolls such rehabilitation and operational improvement projects in the amount of approximately $15 million per fiscal year through the duration of the program.

Summary of RM1, RM2 and Seismic Retrofit Program Capital Projects

The following table sets forth the program budgets, expenditures and project status for the RM1 Projects and RM2 Projects.

SUMMARY OF RM1 PROJECTS AND RM2 PROJECTS
Program Budget, Expenditures and Project Status as of February 28, 2006
($ in millions)

	Authority Budget				
	Authority Funding	Other Funding[2]	Estimated Completion Cost[1]	Actual Cost to February 28, 2006	Project Status/ Expected Completion
New Benicia-Martinez Bridge[1]	$1,225	$38	$1,263	$935	2007
Carquinez Bridge Replacement	528	--	528	483	2007
Richmond-San Rafael Bridge Deck Resurfacing	21	4	25	2	2007
Richmond-San Rafael Bridge Trestle, Fender and Deck Joint Rehabilitation	42	60	97	97	Completed
I-880/SR-92 Interchange Improvement	124	10	186[3]	35	2011
Richmond Parkway	6	--	6	4	Completed
San Mateo-Hayward Bridge Widening	218	--	212	209	Completed
Bayfront Expressway (SR-84) Widening	35	--	35	33	Completed
US-101/University Ave. Interchange Improvement	4	--	4	4	Completed
RM1 Capital Projects Subtotal[4]	$2,203	$112	$2,356	$1,800	
RM2 Capital Projects Subtotal[5]	$1,465	[6]	[6]	$51	In Progress

(1) The project budget for the new Benicia-Martinez Bridge includes $50,000,000 allocated for such project under RM2.

(2) Includes approximately $38 million for the New Benicia-Martinez Bridge from state funds, approximately $60 million for the Richmond-San Rafael Bridge Trestle Rehabilitation project from state funds, approximately $4 million for the Richmond-San Rafael Bridge Deck Resurfacing project from state funds, and approximately $10 million for the I-880/SR-92 Interchange Improvement project from the Alameda County Transportation Authority.

(3) Caltrans has reported a higher than budgeted estimate for construction of the I-880/SR-92 Interchange Improvement project. The Authority staff and Caltrans are attempting to expedite the advertisement of the project to develop a more refined cost estimate.

(4) Subtotals may not add due to independent rounding of numbers.

(5) A complete list of all RM2 Projects and the Authority funding authorized therefor is set forth in APPENDIX G – "REGIONAL MEASURE 2 PROJECTS." Does not include $50,000,000 allocated for the new Benicia-Martinez Bridge project under RM2.

(6) Under the Act, the Authority is required to fund the enumerated RM2 Projects by issuance of additional Bonds or transfer of Bridge Toll Revenues in an amount in the aggregate not to exceed $1.515 billion but is not required to complete such projects. The remainder of funds required to complete the RM2 Projects are expected to come from other sources. See " - Regional Measure 2 Projects" above.

Source: The Authority.

The following table sets forth the program budget, expenditures and project status for the Seismic Retrofit Program projects.

SUMMARY OF SEISMIC RETROFIT PROGRAM CAPITAL PROJECTS
Program Budget, Expenditures and Project Status as of February 28, 2006
($ in millions)

	2005 Legislation Budget(1)	Estimated Completion Cost	Actual Cost to February 28, 2006	Project Status/ Expected Completion
San Francisco-Oakland Bay Bridge–East Span Retrofit and Replacement		$5,487	$1,624	2015
San Francisco-Oakland Bay Bridge–West Approach Replacement		429	253	2009
San Francisco-Oakland Bay Bridge–West Span Retrofit		308	301	Completed
Richmond-San Rafael Bridge Retrofit		825	789	Completed
Benicia-Martinez Bridge Retrofit		178	178	Completed
Carquinez Bridge Retrofit		114	114	Completed
San Mateo- Hayward Bridge Retrofit		164	163	Completed
Vincent Thomas Bridge Retrofit		59	58	Completed
San Diego-Coronado Bridge Retrofit		104	103	Completed
Costs not allocated to particular project		30	31	
Seismic Retrofit Program Subtotal	$8,685	$7,696	$3,613	

(1) The amounts set forth in the 2005 Legislation for expenditure on Seismic Retrofit Program projects are generally not allocated to a particular project. Includes program contingency funds set forth in the 2005 Legislation. See "-Seismic Retrofit Program Funding Sources" below.
Source: The Authority.

The amount of $989 million is currently expected to be available for contingencies based on the 2005 Legislation budget and the foregoing estimated completion costs.

RM1 and RM2 Projects Funding

The costs of RM1 Projects and RM2 Projects are primarily funded by the Authority from Bridge Toll Revenues and the net proceeds of Bonds issued for such purpose. See "- Summary of RM1, RM2 and Seismic Retrofit Program Capital Projects" above.

Under the Act, the Authority is required to fund the enumerated RM2 Projects by issuance of additional Bonds or transfer of Bridge Toll Revenues in an amount in the aggregate not to exceed $1.515 billion, but is not required to fund RM2 Projects to completion.

Seismic Retrofit Program Funding Sources

Funding for the Seismic Retrofit Program is provided under the 2005 Legislation, which sets forth funding sources and estimated costs and directs these funds to pay construction and related costs of the Seismic Retrofit Program projects. The 2005 Legislation designates funding sources for the Seismic Retrofit Program totaling $8.685 billion. See "- Summary of RM1, RM2 and Seismic Retrofit Program Capital Projects" above.

Summary of Funding Sources

The funding sources specified in the 2005 Legislation are (i) toll revenues (and interest earnings thereon), (ii) the proceeds of bonds and other obligations secured by a pledge of toll revenues and

(iii) certain non-toll sources ("Secondary Sources") described below. The amount of funding received to date and anticipated for completion of the Seismic Retrofit Program from toll revenues, obligations secured by toll revenues and interest earnings collectively is approximately $5.260 billion and from Secondary Sources described below is approximately $3.425 billion. Approximately $5.07 billion of Seismic Retrofit Program costs (including contingency funding) remain to be funded as of January 31, 2006.

Secondary Sources

Pursuant to the 2005 Legislation, on September 29, 2005, the CTC adopted a schedule for the transfer of state funds to the Authority to reimburse the Authority for expenditures for the Seismic Retrofit Program. The CTC adopted a revised schedule on December 2, 2005, which amended the relative contributions of the Public Transportation Account and the State Highway Account, while keeping the total transfer amounts in any one year the same as the original schedule adopted September 29, 2005, and making a minor accounting adjustment which decreased the amounts still to be transferred by approximately $10 million. The schedule contains the timing and sources of the state contributions, which begin in fiscal year 2005-06 and conclude in fiscal year 2013-14, to provide a timely balance between state sources and the contributions from toll funds. The CTC's adopted schedule is one element of the Authority's plan to borrow against the state fund payments to accelerate the financing of the Seismic Retrofit Program. See "SUMMARY OF FINANCING PLAN." The Secondary Sources are not pledged to the payment of Bonds or Parity Obligations.

Of the remaining $1.283 billion of Secondary Sources to be received after June 30, 2006, further appropriation is required only with respect to approximately $990 million of such funds. Within the period from fiscal year 2005-06 through fiscal year 2013-14, the Authority cannot predict with certainty the timing of when the Secondary Sources will actually be made available for expenditure on the Seismic Retrofit Program. See "RISK FACTORS – Risks Related to Seismic Retrofit Program Funding."

The 2005 Legislation identifies the Secondary Sources of funding for the Seismic Retrofit Program as indicated in the following table.

SEISMIC RETROFIT PROGRAM SECONDARY SOURCES OF FUNDING
($ in million)

Secondary Source	2005 Legislation Amount	Amount Received or Scheduled to be Received through June 30, 2006	Balance Remaining to be Transferred after June 30, 2006
Seismic Retrofit Bond Act of 1996	$ 790	$790	$ 0
State Highway Account[(1)]	1,175	747	428
Public Transportation Account	130	90	40
Highway Bridge Replacement and Rehabilitation Program	642	400	242
Diverted Sales and Use Taxes	125	0	125
Motor Vehicle Account	75	75	0
San Diego-Coronado Bridge	33	33	0
Vincent Thomas Toll Bridge Revenue Account	15	7	0[(2)]
Contingency Funds	448	0	448
Total	$3,433	$2,142	$1,283[(2)]

[(1)] Includes $300 million for the demolition of the existing east span of the San Francisco-Oakland Bay Bridge. Under 2005 Legislation, such amounts also may be paid from sources other than the State Highway Account.
[(2)] No additional funding is expected from the Vincent Thomas Toll Bridge Revenue Account.
Source: Caltrans.

The Secondary Sources from which transfers continue to be expected are described further below.

State Highway Account. The State Highway Account is the main funding source for the programs administered by the CTC. The CTC is a commission separate and apart from Caltrans and the Authority that is authorized to provide advance planning and continuity of fiscal policy in the construction and improvement of the state highway system and in the administration of the expenditures from the State Highway Account. The principal sources of funds for the State Highway Account are excise taxes on motor vehicle fuels, truck weight fees, and Federal Highway Trust Funds.

Public Transportation Account. Funds in the Public Transportation Account are available only for transportation planning and mass transportation purposes as specified by the State Legislature.

Highway Bridge Replacement and Rehabilitation Program. Highway Bridge Replacement and Rehabilitation Program ("HBRRP") funds are federal funds made available through the Federal Highway Administration. The full amount of HBRRP funds has been allocated by the CTC to the Richmond-San Rafael Bridge and the San Francisco-Oakland Bay Bridge. HBRRP funds are available to the Seismic Retrofit Program only with Congressional action.

Diverted Sales and Use Taxes. The 2005 Legislation authorizes the use of certain sales and use taxes to the extent they would otherwise have been transferred in the 2005-06 fiscal year to the Public Transportation Account pursuant to Section 7102(a)(1)(F) of the Revenue and Taxation Code. There can be no assurance that the sales and use taxes of the type described in Section 7102(a)(1) of the Revenue and Taxation Code will be generated in amounts sufficient to result in the anticipated transfer. If sufficient funds are not available from this source for this purpose during the 2006-07 fiscal year, the funding described in this paragraph will be made available from additional accumulated savings by Caltrans achieved from better efficiency, operational savings, or lower costs, or from the federal HBRRP or the State Highway Account, as determined by Caltrans in consultation with, and with approval of, the CTC.

Contingency Funds. The source of contingency funds would be project savings or other available sources from Caltrans' Interregional Transportation Improvement Program or the State Highway Operation Protection Program or additional federal bridge funds.

Three hundred million dollars ($300 million) of the Secondary Sources are restricted for use on the demolition of the existing east span of the San Francisco-Oakland Bay Bridge.

SUMMARY OF FINANCING PLAN

The Authority has previously issued Bonds outstanding in the aggregate principal amount of $2 billion and certain Parity Obligations secured on a parity with the Series 2006F Bonds. See APPENDIX H - "PARITY BONDS AND PARITY OBLIGATIONS."

Additional Bonds and Parity Obligations, as described herein, may be issued under the Indenture and will be secured on a parity with the Series 2006F Bonds on the terms set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS - Additional Bonds and Parity Obligations" and APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Additional Bonds; Subordinate Obligations."

Defeasance of Infrastructure Bank Obligations

A portion of the proceeds of the Series 2006F Bonds, together with certain other available moneys, will be deposited with Deutsche Bank National Trust Company, as escrow agent (the "Escrow Agent"), and held in an Escrow Account created under the terms of an Escrow Agreement, dated as of April 1, 2006 (the "Escrow Agreement"), by and between the Infrastructure Bank and the Escrow Agent. Proceeds deposited into the Escrow Account will be invested in certain securities (the "Defeasance Obligations") permitted under the indenture for the California Infrastructure and Economic Development Bank Bay Area Toll Bridges Seismic Retrofit Revenue Bonds, Series 2003A First Lien Bonds (the "Infrastructure Bank Bonds") or held uninvested in cash, and such amounts, together with the earnings thereon, will be used to pay when due the principal of and interest on the Infrastructure Bank Bonds, and the redemption price of the Infrastructure Bank Bonds, prior to and on the respective optional redemption dates or maturity dates, as the case may be, set forth in APPENDIX K hereto.

The California Infrastructure and Economic Development Bank Bay Area Toll Bridges Seismic Retrofit Revenue Notes Series 2005 Second Lien Commercial Paper Program (the "Infrastructure Bank Notes" and together with the Infrastructure Bank Bonds, the "Infrastructure Bank Obligations") were paid and retired with available moneys advanced by the Authority. A portion of the proceeds of the Series 2006F Bonds will be used to reimburse such advance.

Causey Demgen & Moore Inc., a certified public accountant firm, will verify that the initial Defeasance Obligations, together with the earnings thereon, and the other amounts held in the Escrow Account will be sufficient to pay the principal of, premium and interest due on the Infrastructure Bank Bonds on their respective due dates on or prior to their redemption dates. See "ESCROW SUFFICIENCY."

Estimated Sources and Uses of Funds

The following are the estimated sources and uses of funds with respect to the Series 2006F Bonds and the defeasance of the Infrastructure Bank Obligations:

SOURCES:	
Principal amount	$1,149,205,000.00
Net Original Issue Premium	52,356,112.05
Transferred Amounts(1)	88,793,463.38
TOTAL SOURCES	$1,290,354,575.43
USES:	
Escrow Fund to defease Infrastructure Bank Bonds	$1,171,792,949.84
Reimbursement of Authority(2)	80,000,000.00
2006F Bond Proceeds Fund deposit	3,557,668.10
Reserve Fund deposit	24,148,268.42
Costs of issuance(3)	10,855,689.07
TOTAL USES	$1,290,354,575.43

(1) Includes $14,307,360.88 from the debt service fund for the Infrastructure Bank Bonds and $74,486,102.50 from the reserve fund for the Infrastructure Bank Bonds and will be deposited to the Escrow Fund to defease the Infrastructure Bank Bonds.

(2) Represents reimbursement of amounts advanced by the Authority to pay the principal amount of all Infrastructure Bank Notes (as hereinafter defined).

(3) Costs of issuance include rating agency, legal, financial advisory and printing costs and expenses; underwriters' discount; fees of the trustee, the verification agent and the escrow agent; certain expenses of the Infrastructure Bank and other miscellaneous expenses.

Funding Sources for Remaining Capital Projects Costs

Based on information provided by Caltrans, the Authority projects that approximately $7.63 billion of costs remain for the Seismic Retrofit Program, RM1 and RM2 capital projects and other capital projects in its current capital project programs. Assuming, among other things, the currently anticipated project schedule, funding sources and budgets, the Authority expects such costs to be financed from the sources and in the estimated amounts summarized in the following table. Any adjustment to the amount or date of receipt of any funding source may affect the timing and/or amount of subsequent borrowings.

ESTIMATED FUNDING SOURCES AND COSTS
FOR CURRENT CAPITAL PROJECT PROGRAMS
($ in billions)

FUNDING SOURCES	
Bond Proceeds[(1)]	$4.06
Secondary Sources[(2)]	1.84
Toll Revenue	1.73
TOTAL	$7.63
PROGRAM COSTS	
Seismic Retrofit Program[(2)]	$5.07
RM1	0.49
RM2	1.42
Other[(3)]	0.65
TOTAL	$7.63

(1) Includes actual proceeds of $1,000,000,000 aggregate principal amount of Bonds issued in February 2006. See APPENDIX H - "PARITY BONDS AND PARITY OBLIGATIONS." Assumes the issuance of additional Bonds for capital projects in the aggregate principal amount of approximately $3.125 billion as set forth in the table under the caption " – Anticipated Issuances of Additional Bonds" below.

(2) Includes funding for contingency. Secondary Sources reflect funds allocated from the beginning of fiscal year 2005-06. All other amounts reflect expectations as of January 31, 2006. See "CAPITAL PROJECTS AND FUNDING – Summary of RM1, RM2 and Seismic Retrofit Program Capital Projects "and" - Seismic Retrofit Program Funding Sources."

(3) Includes approximately $460 million for an MTC Regional Transit Expansion Program (adopted as Resolution No. 3434), which includes certain rail and bus transit expansion projects, and approximately $190 million for Bridge System rehabilitation capital expenditures.

Source: The Authority.

Anticipated Issuances of Additional Bonds

The Authority anticipates issuing additional Bonds, in addition to the Series 2006F Bonds offered hereby, to fund capital projects under its current capital project programs at the times and in the approximate principal amounts set forth in the following table.

ANTICIPATED ISSUANCES OF ADDITIONAL BONDS
($ in millions)

Fiscal Year ending June 30,	Approximate Principal Amount[1]
2008	$1,000[2]
2010	1,000[3]
2011	700
Thereafter	425

(1) The net proceeds of the Bond issuances indicated in the table are expected to be used for capital projects.
(2) The Authority executed forward-starting interest rate swaps with an aggregate notional amount of $1.0 billion on November 30, 2005. Cash flows under these swaps will commence on November 1, 2007, expected to coincide with the issuance of $1.0 billion of variable rate Bonds. The average interest rate on the swaps is 3.73% per annum. See APPENDIX H - "PARITY BONDS AND PARITY OBLIGATIONS."
(3) The Authority has authorized forward-starting interest rate swaps with an aggregate notional amount not to exceed $1.0 billion and an interest rate not to exceed 4.00% per annum. The Authority expects to enter these swaps in the next twelve months with cash flows expected to commence during fiscal year 2009-10, expected to coincide with the issuance of $1.0 billion of additional variable rate Bonds.
Source: The Authority.

The principal amount of additional Bonds or other financing instruments to be subsequently issued by the Authority and the timing of any such issuance or issuances will be determined by the Authority based on the actual costs of RM1, RM2 and Seismic Retrofit Program and the resources then available. The issuance of additional Bonds is subject to the requirements of the Indenture, but the Act does not limit the principal amount of Bonds that may be issued.

Planned Issuance of Funding Anticipation Obligations

The Authority plans to borrow against certain of the Secondary Sources (the "Funding Anticipation Obligations") to provide accelerated funding for the Seismic Retrofit Program. No assurance can be given that the Funding Anticipation Obligations will be issued.

Projected Revenue, Operations & Maintenance Expenses and Debt Service Coverage

The following table sets forth certain projected revenues and expenditures of the Authority and projected debt service coverage for Fiscal Years ending June 30, 2006 through 2010.

PROJECTED REVENUE, OPERATIONS & MAINTENANCE EXPENSES AND DEBT SERVICE COVERAGE[1]
($ in thousands)

	2005-06	2006-07	2007-08	2008-09	2009-10
Bridge Toll Revenues[2]	$287,453	$459,971	$523,532	$524,354	$525,188
Interest Earnings[3]	46,225	99,384	85,725	72,491	69,947
Less: Operations & Maintenance Expenses[4]	45,600	47,468	49,514	51,429	53,421
NET REVENUE	$288,078	$511,887	$559,743	$545,416	$541,714
Debt Service on Bonds and Parity Obligations[5]	$55,762	$157,690	$194,619	$210,364	$233,760
Debt Service Coverage[6]	5.17x	3.25x	2.88x	2.59x	2.32x

(1) Assumes the current schedule for construction of capital projects.

(2) Bridge Toll Revenues assume the defeasance of the Infrastructure Bank Obligations and the inclusion of the original $1.00 of the Seismic Surcharge as part of Bridge Toll Revenues. Bridge Toll Revenues also are assumed to include the Authority's authorized $1.00 increase of the Seismic Surcharge to take effect on January 1, 2007. No additional toll increases are assumed. The projected Bridge Toll Revenues assume that toll paying traffic using the System Bridges will increase by 0.15% each fiscal year.

(3) Assumes average interest earnings of 4.57% per annum.

(4) Assumes increases of 4.1% in fiscal year 2006-07, 4.3% in fiscal year 2007-08, 3.9% in fiscal year 2008-09 and 3.9% in fiscal year 2009-10. Operations & Maintenance Expenses do not include Category A Maintenance Expenditures. Category A Maintenance Expenditures payable from tolls for such period are projected to be $4.500 million, $4.680 million, $4.867 million, $5.062 million and $5.264 million for fiscal years ending June 30, 2006, 2007, 2008, 2009 and 2010, respectively. Payment of Category A Maintenance Expenditures is subordinate to the Authority's obligation to pay principal of and interest on the Bonds and Parity Obligations. See "THE BRIDGE SYSTEM –Toll Operations and Maintenance.

(5) Reflects the actual interest rates for fixed rate Bonds issued prior to the Series 2006F Bonds, assumes an interest rate per annum equal to the fixed rate payable under related interest rate swap arrangements for variable rate Bonds issued prior to the Series 2006F Bonds and assumes an interest rate per annum equal to 5.09% for other variable rate Bonds issued prior to the Series 2006F Bonds that are not subject to an interest rate swap arrangement. Reflects actual interest rates for the Series 2006F Bonds. Assumes the issuance of additional Bonds as described under the caption "-Anticipated Issuances of Additional Bonds" above, with an assumed interest rate of 3.73% per annum for additional Bonds expected to be issued in 2008 and 4.00% per annum for additional Bonds expected to be issued in 2010. Floating rates received by the Authority under Qualified Swap Agreements are assumed to be equivalent to the interest cost on the related variable rate Bonds. See APPENDIX H - "PARITY BONDS AND PARITY OBLIGATIONS." Does not include ongoing support costs for the underlying variable rate Bonds such as remarketing agent fees, broker-dealer fees and liquidity provider fees, as applicable. The Authority expects debt service to increase after fiscal year 2009-10.

(6) Equals Net Revenue divided by Debt Service on Bonds and Parity Obligations.

Source: The Authority.

The levels of traffic assumed and toll revenue projected in the foregoing are based solely upon estimates and assumptions made by the Authority. Actual levels of traffic and toll revenue will differ, and may differ materially, from the levels projected.

The debt service coverage ratios set forth in the forgoing table exceed the ratios required under the Indenture. The Authority is only required to satisfy the toll rate covenants set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS – Toll Rate Covenants" and " – Additional Bonds and Parity Obligations."

AUTHORITY INVESTMENT PORTFOLIO

Funds of the Authority are invested in securities authorized by California Government Code Section 53600 *et seq.* State law authorizes the Authority to invest in certain obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities. Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreements generally may not exceed 20% of the base value of the portfolio and the term of such an agreement may not exceed 92 days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (*i.e.*, amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods). The Authority's current investment policy does not allow investment in reverse repurchase agreements or securities lending. However, the Authority may change such policy at any time in the future.

The Authority's primary investment strategy is to purchase investments with the intent to hold them to maturity. However, the Authority may sell an investment prior to maturity to avoid losses to the Authority resulting from further erosion of the market value of such investment or to meet operation or project liquidity needs.

The value of the various investments in the portfolio will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Further, such values may vary based on credit quality, ratings, or other factors. Therefore, there can be no assurance that the values of the various investments in the portfolio will not vary significantly from the values described below. Further, the values specified in the following tables were based upon estimates of market values provided to the Authority by a third party. Accordingly, there can be no assurance that if these securities had been sold on February 28, 2006, the portfolio would have received the values specified. In addition, under certain provisions of the Indenture, funds and accounts held under the Indenture must be invested in certain specified permitted investments that include investment agreements and other investments not described above. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions - Permitted Investments."

As of February 28, 2006, the average maturity of the Authority's portfolio was 305 days, with an average yield of approximately 4.4%.

AUTHORITY INVESTMENT PORTFOLIO INFORMATION
as of February 28, 2006

Investments	Percent of Portfolio	Par Value	Market Value
U.S. Government Securities	62%	$836,400,000	$825,592,649
Mutual Funds	2	20,210,186	20,210,186
Commercial Paper	3	40,000,000	39,682,750
State LAIF Pool	less than 1	199	199
Certificates of Deposit	1	20,000,000	20,000,000
Cash/Checking/Money Market	32	433,126,129	433,126,129
TOTAL SECURITIES	100%	$1,349,736,513	$1,338,611,912

Source: The Authority.

RISK FACTORS

The primary source of payment for the Series 2006F Bonds is Bridge Toll Revenues. The level of Bridge Toll Revenues collected at any time is dependent upon the level of traffic on the Bridge System, which, in turn, is related to several factors, including without limitation, the factors indicated below.

Risk of Earthquake

The Bay Area's historical level of seismic activity and the proximity of the Bridge System to a number of significant known earthquake faults (including most notably the San Andreas Fault and the Hayward Fault) increases the likelihood that an earthquake originating in the region could destroy or render unusable for a period of time one or more of the System Bridges, their highway approaches or connected traffic corridors, thereby interrupting the collection of Bridge Toll Revenues for an undetermined period of time.

An earthquake originating outside the immediate Bay Area could have an impact on Bridge System operations and Bridge Toll Revenues. On October 17, 1989, the San Francisco Bay Area experienced the effects of the Loma Prieta Earthquake that registered 7.1 on the Richter Scale. The epicenter of the earthquake was located in Loma Prieta about 60 miles south of the City of San Francisco in the Santa Cruz Mountains. The Loma Prieta Earthquake caused damage to the east span of the San Francisco-Oakland Bay Bridge. Caltrans made prompt repairs to the San Francisco-Oakland Bay Bridge, which was reopened to traffic within one month.

Research conducted since the 1989 Loma Prieta Earthquake by the United States Geological Survey concludes that there is a 70% probability of at least one magnitude 6.7 or greater earthquake, capable of causing wide-spread damage, striking the Bay Area before 2030. Major earthquakes may occur in any part, and at any time, of the Bay Area. An earthquake of such magnitude with an epicenter in sufficiently close proximity to the San Francisco-Oakland Bay Bridge occurring prior to completion of the Seismic Retrofit Program would be more likely to result in collapse of such bridge.

The Seismic Retrofit Program is specifically intended to mitigate the risk of major damage to the System Bridges due to seismic activity by enhancing the structural integrity of the System Bridges to accommodate ground motions along the various identified faults with return periods of between 1,000 and 2,000 years. However, Caltrans currently estimates that the Seismic Retrofit Program will not be fully completed on all System Bridges until 2015. See "CAPITAL PROJECTS AND FUNDING – Seismic

Retrofit Program Capital Projects." Furthermore, the completion of the Seismic Retrofit Program will not insure that one or more of the System Bridges or their highway approach routes would not be damaged, destroyed or rendered unusable for a period of time in the event of a single earthquake or a combination of earthquakes.

When large seismic events have occurred in the past, Caltrans has demonstrated an ability to quickly repair bridge structures and reestablish traffic flows. As a consequence of the 1989 Loma Prieta Earthquake, the San Francisco-Oakland Bay Bridge suffered collapse of a section of the bridge's east span upper deck. Within 30 days, two replacement deck sections were designed, ordered, fabricated, delivered and installed as part of a $8.6 million construction project. With the completion of the Seismic Retrofit Program, the need for repairs of this magnitude is expected to be greatly reduced, especially on the San Francisco-Oakland Bay Bridge and the Benicia-Martinez Bridge, both of which will be strengthened to the higher Lifeline Structure criteria. See "CAPITAL PROJECTS AND FUNDING—Ground Motions and Seismic Design Strategy for the Bridge System." However, the Authority cannot provide assurance that actual damage caused by a future seismic event will not vary substantially from expectations or past experience.

Other Force Majeure Events

Operation of the Bridge System and collection of bridge tolls is also at risk from other events of force majeure, such as damaging storms, winds and floods, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. The Authority cannot predict the potential impact of such events on the financial condition of the Authority or on the Authority's ability to pay the principal of and interest on the Series 2006F Bonds as and when due.

Threats and Acts of Terrorism

Caltrans and law enforcement authorities have undertaken security measures in an effort to reduce the probability that the System Bridges could be attacked by terrorists. However, such measures are not guaranteed to prevent an attack on the System Bridges. The Authority cannot predict the likelihood of a terrorist attack on any of the System Bridges or the extent of damage or vehicle traffic disruption that might result from an attack. The System Bridges are not insured against terrorist attack. See "—No Insurance Coverage" below.

No Insurance Coverage

No business interruption insurance or any other commercially available insurance coverage is currently maintained by the Authority or Caltrans with respect to damage to or loss of use of any of the System Bridges. However, the Authority currently maintains a $50 million self insurance fund which, pursuant to the Cooperative Agreement, would be available for reconstruction, repair and operations in the event of damage due to a major emergency which would result in closure to traffic of a System Bridge estimated to extend more than 30 days and to exceed $10 million in cost. Such reserve is maintained pursuant to the Cooperative Agreement and upon agreement of Caltrans and the Authority may be reduced or eliminated in its entirety. Pursuant to the Cooperative Agreement, replenishment of funds used for such repairs would be made by the Authority from Bridge Toll Revenues. Moreover, the Authority expects that emergency assistance and loans from the Federal Government would be made available to the State in the event of major damage to the System Bridges caused by a major earthquake or other force majeure event.

Economic Factors

A substantial deterioration in the level of economic activity within the Bay Area could have an adverse impact upon the level of Bridge Toll Revenues collected. In addition, the occurrence of any natural catastrophe such as an earthquake may negatively affect the Bay Area economy and traffic using the Bridge System. See "—Risk of Earthquake" above. Bridge Toll Revenues may also decline due to traffic interruptions as a result of construction, greater carpooling or use of mass transit, increased costs of gasoline and of operating an automobile, more reliance on telecommuting in lieu of commuting to work, relocation of businesses to suburban locations and similar activities. RM2 includes a substantial allocation of funding for mass transit projects intended to reduce congestion in the System Bridge corridors. For information relating to current economic conditions within the Bay Area, see APPENDIX B – "ECONOMY OF THE BAY AREA."

Toll Rate Increases

Since 2004, toll rates for two-axle vehicles have increased from $2.00 to $3.00. Effective January 1, 2007, toll rates for two-axle vehicles will increase to $4.00. Construction delays or cost increases, particularly with respect to the work on the east span of the San Francisco-Oakland Bay Bridge, could result in further rate increases. Such increases in the toll rates could have an adverse impact upon the level of traffic on the Bridge System and the level of Bridge Toll Revenues collected. The added cost burden of toll increases may result in greater carpooling or use of mass transit, more reliance on telecommuting in lieu of commuting to work, relocation of businesses to suburban locations and similar activities, that result in lower traffic levels. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS - Authority for Issuance," "-Toll Setting Authority," and "CAPITAL PROJECTS AND FUNDING - Seismic Retrofit Program Funding Sources."

Construction Delays and Cost Escalation

The Authority does not believe any decline in Bridge Toll Revenues would result solely from delays in or cancellation of any Seismic Retrofit Program or RM1 project. Delays in construction or additional cost may, however, impact the level of Bridge Toll Revenues if they are combined with, for example, reduced traffic due to increased tolls or longer periods of increased vulnerability to seismic events due to longer construction periods.

Delays in completion of RM1 or Seismic Retrofit Program projects may arise from any number of causes, including, but not limited to, adverse weather conditions, unavailability of contractors, coordination among contractors, environmental concerns, labor disputes, engineering errors or unanticipated or increased costs of construction such as labor, equipment, and materials. In addition, increased costs may also be caused by uncontrollable circumstances, acts of God, unforeseen geotechnical conditions, the presence of hazardous materials or endangered species on or near the System Bridges, or for other reasons.

Although Caltrans has made determinations of estimated costs and expected completion dates for each of the Seismic Retrofit Program projects that it believes are reasonable, there can be no assurance that the Seismic Retrofit Program contractors will deliver the Seismic Retrofit Program projects within the anticipated time period or within budget. Caltrans' cost estimates for the Seismic Retrofit Program were developed using available information based on contract award and construction status. In updating both cost estimates and schedules Caltrans has identified many risks related to design and the bidding process. Seismic construction strategies are being employed at scales never before used. As a result, there is an inherent level of uncertainty in projecting Seismic Retrofit Program costs and schedules. See

"CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Capital Projects - San Francisco-Oakland Bay Bridge–East Span."

The new east span of the San Francisco-Oakland Bay Bridge is sufficiently unique that traditional public works estimating methods do not apply. Several factors could contribute to cost increases and/or construction delays for the new east span, including (i) construction bonding and insurance market changes which may result in reduced capacity available to handle payment and performance bonding requirements and higher rates to assume risks on large complex projects; (ii) steel industry capacity and economic changes resulting in fluctuations in supply and demand impacting both domestic and international markets for steel production and steel fabrication, particularly for large scale assembly and delivery; (iii) structural design changes; (iv) technical complexity; (v) adjacent project interference; (vi) limited bidder pools; (vii) laws protecting domestic industry; (viii) disruptions in supply or the construction industry due to natural disasters; and (ix) increases in the price of oil or other energy sources.

Seismic Retrofit Program projects cost estimates have materially and substantially increased in the past and may increase again in the future. Past increases have been attributable in large part to the new east span of the San Francisco-Oakland Bay Bridge.

The original budget estimates for the Seismic Retrofit Program were established by Chapter 327, Statutes of 1997 (Senate Bill 60). The estimated cost for the Seismic Retrofit Program projects was, at the time, set at $2.620 billion. Since then, subsequent legislation has provided for increases in such estimated costs to the $8.685 billion estimate in the 2005 Legislation.

Cost estimates and schedules are also subject to the uncertainty of the bidding process. Bids are yet to be received on the contracts for the Yerba Buena Island transition structure, the Oakland touchdown and other components of the new east span of the San Francisco-Oakland Bay Bridge. There can be no assurance that any contract will receive any bids or that any bids received will be within the bid estimates projected by Caltrans. An assessment of the SAS contract bids received on March 22, 2006, has not yet been completed. There is no assurance that the bids received conform to the requirements for bids that were advertised.

Significant cost increases have also been experienced with respect to the new Benicia-Martinez Bridge. Past cost increases have been related to foundation pile remediation, steel cost escalation, superstructure construction, interface, delay issues with contiguous contracts, concrete overheating remediation costs and Caltrans support costs. Additional cost increases could be experienced in the future.

Voter Initiatives

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including local or regional agencies such as the Authority, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government. The Authority does not believe that the levy and collection of bridge tolls are taxes subject to the voter approval provisions of Proposition 218.

Proposition 218 also provides for broad initiative powers to reduce or repeal any local tax, assessment, fee or charge. Article XIIIC does not define the terms local "taxes," "assessment," "fee" or "charge." However, the California Court of Appeal for the Fourth Appellate District, in the case of *Bighorn-Desert View Water Agency v. Beringson*, 114 Cal. App. 4th 1213 (2004), held that the initiative power described in Article XIIIC applies only to local taxes, assessments, fees and charges as defined in Articles XIIIC and XIIID. Article XIIID defines "fee" or "charge" to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government "upon a parcel or upon a person as an incident of property ownership", including a new charge for a "property related service". The Authority does not believe that the bridge toll is a "fee" or "charge" as defined in Article XIIID. However, the California Supreme Court has granted review of the Bighorn case. If ultimately found to be applicable to the bridge tolls, the initiative power could be used to rescind or reduce the levy and collection of bridge tolls under Proposition 218. Any attempt by voters to use the initiative provisions under Proposition 218 in a manner which would prevent the payment of debt service on the Series 2006F Bonds should arguably violate the Impairment of Contract Clause of the United States Constitution and accordingly, be precluded. The Authority cannot predict the potential financial impact on the financial condition of the Authority and the Authority's ability to pay the purchase price, principal of and interest on the Series 2006F Bonds as and when due, as a result of the exercise of the initiative power under Proposition 218.

Risks Related to Seismic Retrofit Program Funding

Certain funds allocated to the Seismic Retrofit Program under the 2005 Legislation from the Secondary Sources have not yet been received and are subject to appropriation or other contingencies which may make them unavailable for expenditure on the Seismic Retrofit Program. It is also possible that legislation could be enacted that may make a portion of those funds unavailable for expenditure on the Seismic Retrofit Program. The Authority cannot predict with certainty how much, if any, of such amounts will actually be made available for expenditure on the Seismic Retrofit Program. See "CAPITAL PROJECTS AND FUNDING—Seismic Retrofit Program Funding Sources."

Approximately $242 million of HBRRP funding are currently anticipated to be applied to the payment of the project costs of the east span of the San Francisco-Oakland Bay Bridge. None of these funds will be allocated to the payment of costs associated with the SAS structure because federal law generally prohibits federal funds from being used for transportation projects if the steel and manufactured products used in a project are not produced in the United States. It is anticipated that the steel for the SAS structure of the east span will not be fabricated in the United States, thus precluding the use of federal funds for the payment of costs of the SAS portion of the east span. However, legislation ("HR 4712") has been introduced in the U.S. Congress which could disallow the use of future federal funds to pay for any portion of the east span of the San Francisco-Oakland Bay Bridge if the steel used in any portion of the east span is not fabricated in the United States. The Authority cannot predict whether HR 4712 in its current form will be adopted as law. However, if HR 4712 were enacted as introduced, the Authority and Caltrans believe that there are remaining seismic retrofit projects eligible under the foregoing federal conditions sufficient to utilize all or a major portion of the remaining $242 million of HBRRP funds. Should this change in funding become necessary, CTC approval of the change and adoption of a revised schedule for the contribution of Secondary Sources may be required. In the event the remaining federally eligible seismic retrofit projects are not sufficient to utilize the remaining federal funds, the Authority could seek to replace any disallowed federal funds with State funds (allowing the diverted federal funds to be used by the State on other eligible transportation projects). Replacement with state funds would require approval from the CTC and the California State Legislature. Alternatively, the Authority could finance any funding shortfall through the issuance of additional bonds. Accordingly, the Authority does not believe that the passage of HR 4712 as introduced will materially impair its ability to fund the improvements to the east span of the San Francisco-Oakland Bay Bridge.

The 2005 Legislation provides that if the actual cost of the Seismic Retrofit Program exceeds the amounts allocated therein, the Authority shall utilize funds generated under its power to issue toll bridge revenue bonds and/or increase the Seismic Surcharge to provide additional financial resources to complete the Seismic Retrofit Program. The Authority is not required to issue such bonds or increase the Seismic Surcharge solely as a result of delays or shortfalls in Secondary Sources.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2006F Bonds, the application of the proceeds thereof in accordance with the Indenture, the collection or application of the Bridge Toll Revenues, or the statutory lien thereon, in any way contesting or affecting the validity or enforceability of the Series 2006F Bonds, the Indenture, in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority with respect to the Series 2006F Bonds or the Indenture, or which could, if adversely decided, have a materially adverse impact on the Authority's financial position or the Authority's ability to collect Bridge Toll Revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2006F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2006F Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2006F Bonds is less than the amount to be paid at maturity of such Series 2006F Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2006F Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2006F Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2006F Bonds is the first price at which a substantial amount of such maturity of the Series 2006F Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2006F Bonds accrues daily over the term to maturity of such Series 2006F Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2006F Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2006F Bonds. Owners of the Series 2006F Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2006F Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2006F Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2006F Bonds is sold to the public.

Series 2006F Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2006F Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2006F Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2006F Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2006F Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2006F Bonds may adversely affect the value of, or the tax status of interest on, the Series 2006F Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2006F Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2006F Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Series 2006F Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006F Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2006F Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2006F Bonds. Prospective purchasers of the Series 2006F Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2006F Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. The Authority did obtain a private letter ruling from the IRS, however, regarding certain (but not all) legal issues relating to the Bonds. Principally, the private letter ruling concluded that the Series 2006F Bonds will not be treated as "refunding bonds" of the Infrastructure Bank Obligations even though proceeds of the Series 2006F Bonds will be used to defease Infrastructure Bank Obligations. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2006F Bonds ends with the issuance of the Series 2006F Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners regarding the tax-exempt status of the Series 2006F Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2006F Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2006F Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

LEGAL MATTERS

The validity of the Series 2006F Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by its Disclosure Counsel, Sidley Austin LLP, and by its general counsel, and for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. Certain legal matters relating to the defeasance of the Infrastructure Bank Bonds will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation.

RATINGS

Standard & Poor's Ratings Services, Moody's Investors Service Inc. and Fitch Ratings have assigned ratings on the Series 2006F Bonds of "AA," "Aa3," and "AA-," respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041; Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007 and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of such Series 2006F Bonds.

UNDERWRITING

The Authority has entered into a Purchase Contract dated April 4, 2006, with respect to the Series 2006F Bonds (the "Purchase Contract") with Citigroup Global Markets Inc., as representative of itself and JPMorgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Morgan Stanley & Co. Incorporated, Stone & Youngberg LLC, Banc of America Securities LLC, Bear Stearns & Co., Inc., E.J.

De La Rosa & Co., Inc., First Albany Capital Inc., Goldman Sachs & Co., Lehman Brothers Inc. and Siebert Brandford Shank & Co., LLC (the "Underwriters") pursuant to which the Series 2006F Bonds are being purchased for reoffering by the Underwriters, at a purchase price of $1,192,641,802.98, which represents the aggregate principal amount of the Series 2006F Bonds, plus net original issue premium of $52,356,112.05, less an underwriters' discount of $8,919,309.07.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management Inc., San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2006F Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

ESCROW SUFFICIENCY

The arithmetical accuracy of certain computations relating to (a) computation of forecasted receipts of principal and interest on the Defeasance Obligations and the forecasted payments of principal and interest to redeem the Infrastructure Bank Bonds and (b) computation of the yields on the Series 2006F Bonds and the Infrastructure Bank Bonds was examined by Causey Demgen & Moore Inc. Causey Demgen & Moore Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

Certain legal matters relating to the defeasance of the Infrastructure Bank Bonds will be passed upon by Stradling Yocca Carlson & Rauth, a Professional Corporation.

The Authority obtained a private letter ruling from the Internal Revenue Service regarding certain of the federal tax issues relating to the Series 2006F Bonds. Principally, the private letter ruling concluded that the Series 2006F Bonds will not be treated as "refunding bonds" of the Infrastructure Bank Obligations even though proceeds of the Series 2006F Bonds will be used to defease Infrastructure Bank Obligations.

RELATIONSHIP OF CERTAIN PARTIES

RM1, RM2 and the Seismic Retrofit Program and related activities, including the sale of the Series 2006F Bonds, have been made possible, in part, by hiring underwriters, remarketing agents, broker-dealers, investment providers, bond insurers, reserve surety providers and interest rate swap counterparties to assist the Authority. Certain of these entities or their affiliates have and continue to participate in more than one capacity in financings for the Authority.

FINANCIAL STATEMENTS

Audited financial information relating to the Authority is included in the MTC's Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005. MTC's Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005 is included in APPENDIX A. The MTC does not prepare separate financial statements for the Authority. PriceWaterhouseCoopers LLP was not requested to consent to the inclusion of its report in APPENDIX A, nor has it undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by PriceWaterhouseCoopers LLP with respect to any event subsequent to the date of its report. The Authority represents that there has been no material adverse change in its financial position since June 30, 2005.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of the Owners and Beneficial Owners of the Series 2006F Bonds to cause to be provided annual reports to each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and any public or private repository or entity designated by the State as a state repository (each a "Repository") for purposes of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), including its audited financial statements and certain operating and other information as described in the Continuing Disclosure Agreement. The Authority will, or will upon written direction cause the Dissemination Agent to, not later than nine (9) months after the end of the Authority's fiscal year (presently June 30), commencing with the report for fiscal year ending June 30, 2006, provide to each Repository an annual report pursuant to the requirements of the Continuing Disclosure Agreement.

The Authority has covenanted to provide, or cause to be provided, to each Repository in a timely manner notice of the following "Listed Events" if determined by the Authority to be material: (1) principal and interest payment delinquencies, (2) non-payment related defaults, (3) unscheduled draws on the debt service reserves reflecting financial difficulties, (4) unscheduled draws on credit enhancements reflecting financial difficulties, (5) substitution of credit or liquidity providers, or their failure to perform, (6) adverse tax opinions or events adversely affecting the tax-exempt status of any series the Series 2006F Bonds, (7) modifications to rights of Owners of any series the Series 2006F Bonds, (8) optional, contingent or unscheduled bond calls, (9) defeasances, (10) release, substitution or sale of property securing repayment of any series the Series 2006F Bonds and (11) rating changes. These covenants have been made in order to assist the Underwriters in complying with Rule. The Authority has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. See APPENDIX F - "FORM OF CONTINUING DISCLOSURE AGREEMENT."

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and holders of any of the Series 2006F Bonds. All quotations from and summaries and explanations of the Indenture, and of other statutes and documents contained herein, do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the Executive Director of the Authority has been duly authorized by the Authority.

BAY AREA TOLL AUTHORITY

By: /s/ Steve Heminger
Executive Director

APPENDIX A

METROPOLITAN TRANSPORTATION COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2005

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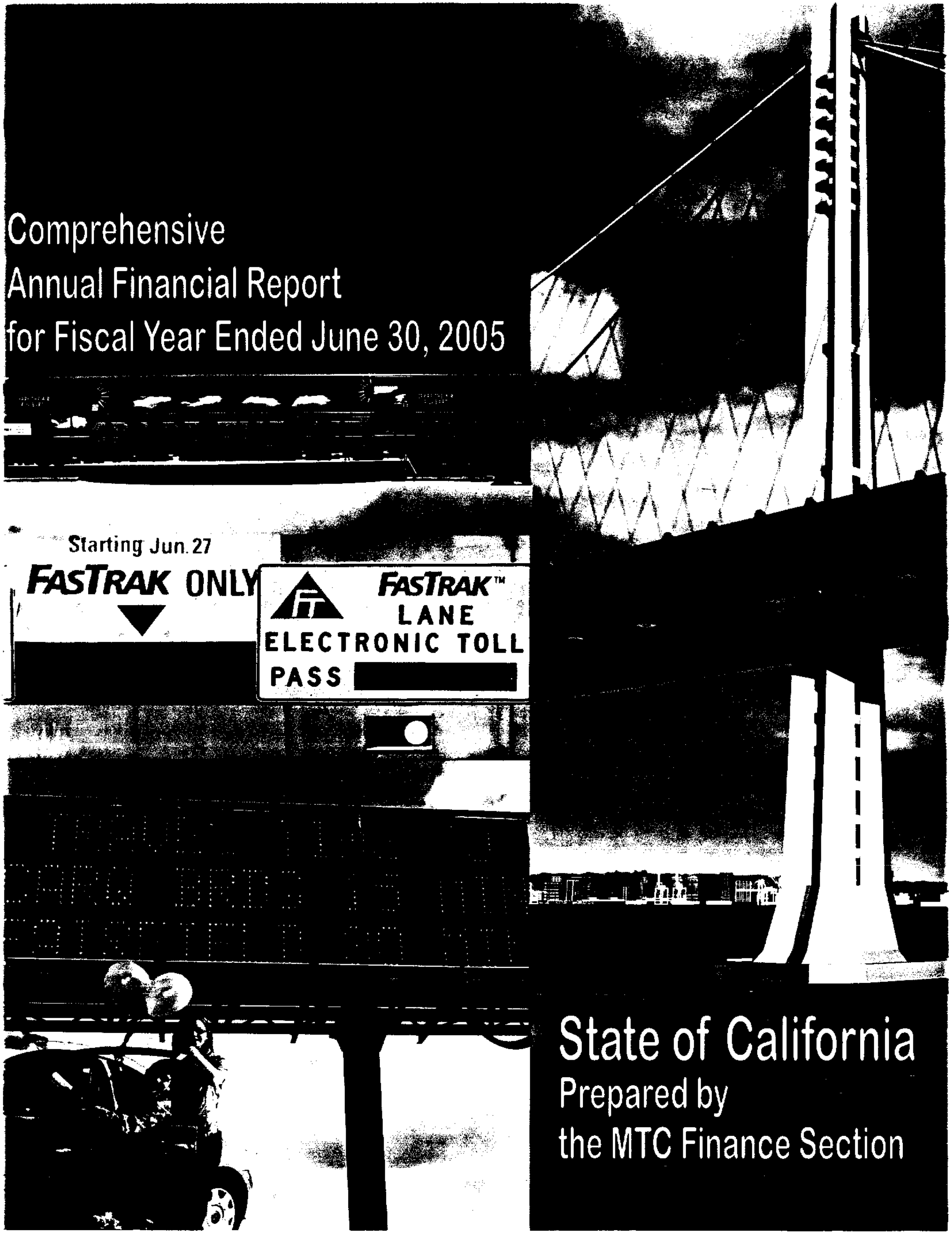

Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2005

State of California

Prepared by
the MTC Finance Section

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METROPOLITAN
TRANSPORTATION
COMMISSION

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2005

State of California

Prepared by MTC Finance Section

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Introduction

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METROPOLITAN
TRANSPORTATION
COMMISSION

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October 26, 2005

Honorable Chairman
Members of the Metropolitan Transportation Commission

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Metropolitan Transportation Commission (MTC), its blended component units and fiduciary funds for the fiscal year ending June 30, 2005. State law requires that MTC and its component units publish a complete audited financial statement within six months of the close of each fiscal year. The financial statements are presented in conformance with Generally Accepted Accounting Principles (GAAP).

Responsibility for both accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with the staff of MTC. To the best of our knowledge and belief, the enclosed information and report is accurate in all material respects and reported in a manner that presents fairly the financial position and operating results of MTC, its blended component units and proprietary funds as of June 30, 2005. All disclosures reasonably necessary to enable an understanding of the government's financial activities have been included.

The goal of the independent audit is to provide reasonable assurance that the financial statements presented here for the fiscal year ending June 30, 2005, are free of material misstatement. In addition, MTC is required to undergo a Single Audit of Federal programs conducted under the provisions of OMB Circular A133. PricewaterhouseCoopers LLP, Certified Public Accountants, have issued an unqualified opinion on the Metropolitan Transportation Commission's financial statements for the year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

GAAP also requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is presented in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to compliment the MD&A and should be read in conjunction with the MD&A, which can be found immediately following the independent auditor's report.

The CAFR for the fiscal year ending June 30, 2005 includes financial information for all funds, accounts and fiduciary activities under the authority of MTC. MTC also participates in numerous boards, groups and associations. While MTC participates in such activities, MTC does not have an ongoing financial interest or administrative control and, as such, information related to these outside groups and associations are excluded from this report. MTC is also a member of the Regional Administrative Facility Corporation (RAFC), which is a joint powers facility management association consisting of MTC, Association of Bay Area Governments (ABAG), and the Bay Area Rapid

Transit District (BART). The MTC Commission does not oversee RAFC or its expenses and as such, they are excluded from this report.

Profile of the Government:

MTC was established under the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area: Alameda, Contra Costa, Marin, Napa, the City and County of San Francisco, San Mateo, Santa Clara, Solano and Sonoma. The Commission consists of sixteen voting and three non-voting members representing the following:

Agency		**Voting Members**	**Non-Voting Members**
Alameda County		2	
Contra Costa County		2	
Marin County		1	
Napa County		1	
City & County of San Francisco		2	
San Mateo County		2	
Santa Clara County		2	
Solano County		1	
Sonoma County		1	
Association of Bay Area Governments (ABAG)		1	
San Francisco Bay Conservation & Development Commission		1	
U.S. Department of Transportation			1
U.S. Department of Housing & Urban Development			1
State Business, Transportation & Housing Agency			1
	Total:	16	3

Each Commissioner's term of office is four years or until a successor is appointed.

MTC commissioners also serve as the governing authority for MTC Service Authority for Freeways & Expressways (MTC SAFE) and the Bay Area Toll Authority (BATA). The Commission is responsible for establishing budgets and policy direction. An Executive Director appointed by the Commission is responsible for carrying out Commission direction and day-to-day administration of MTC and its employees.

A primary MTC function is administering and processing transportation funding for the nine-county San Francisco Bay Area. Between MTC, its blended component units and fiduciary accounts, MTC appropriated over $900 million for the fiscal year 2005. The funding breakdown is as follows:

MTC	2004	2005
General Fund	$ 54,926,260	$ 51,788,900
AB 664 Net Toll	24,485,513	12,757,585
STA	38,618,599	41,161,179
Other Funds	18,774,098	17,969,854
Capital Project	-0-	7,065,016
MTC Total	$ 136,804,470	$ 130,742,534
Enterprise		
SAFE	$ 12,003,838	$ 12,822,438
BATA	477,162,914	460,140,542
Enterprise Total	489,166,752	472,962,980
Fiduciary		
TDA	$ 257,594,817	$ 261,199,593
AB 1107	57,052,805	59,457,522
Fiduciary Total	314,647,622	320,657,115
Grand Total	$ 940,618,844	$ 924,362,629

During 2005, MTC allocated funding for existing bus, rail, train and ferry services, as well as future transportation projects. BATA funding includes over $320 million for the RM 1 bridge construction program.

Fiscal Year 2005:

During 2005, two significant events had impacts on MTC and its operations, particularly BATA. First, the local economy showed continuing signs of strengthening. Sales tax revenue increased 5.2 percent and for the first time since 2001, all nine counties showed increases. In addition to the economic strengthening, the voters approved Regional Measure 2 (RM 2) assessing a $1.00 bridge toll surcharge to support $1.5 billion in traffic relief projects and up to $42 million annually in transit operations.

The MTC general fund continued to strategically utilize available reserves to meet capital obligations while the very structure of BATA created an overall negative asset balance for all operating components on the statement of activities.

MTC maintains a significant fund balance as a means of meeting budgeted expenses, as well as meeting unforeseen expenditures. While MTC's general fund had a second consecutive operating deficit, the deficit caused a drop of only 14 percent in MTC's strategic financial reserves balance.

	2004	2005
Change in Fund Balance	($ 2,770)	($ 5,240)
Designated Reserves	$ 20,310	$ 15,646
Unreserved	4,133	3,556
Total Fund Balance	$ 24,443	$ 19,202

While the unreserved component of the general fund was reduced in 2005, it still represents only 9 percent of total general fund revenue.

There are other factors that should help improve the reserve balances in the future. These factors include:

- Reauthorization of federal transportation funds has been approved and will significantly increase future planning funds.
- The state Legislature approved AB 144 consolidating all toll revenue under BATA which provides $1.2 million in new administrative revenue for fiscal 2006 and another $1.2 million if a fourth dollar increase is approved in 2007.

These new and enhanced revenue sources should help MTC maintain strong fund balances in the future.

The financial and operating structure of BATA puts strain on the organization's ending fund balance. BATA is the financing, funding and oversight body for the seven Bay Area toll bridges. However, Caltrans, not BATA, actually owns the bridges.

	2004	2005
Net Assets (Deficit)		
Governmental Activities	$ 154,647	$ 160,297
Business-Type Activities	($143,513)	($329,737)

Since BATA incurs the debt but not the increase to the asset base, the result has a direct negative effect on the net asset balance. The increasing deficit is a direct result of adding $300 million in toll bridge revenue bond debt during 2005. This problem will continue into the future as BATA finances the $1.5 billion RM 2 program, which helps to fund important transit projects built and owned by other transit operators.

The fact that negative asset balances will continue in BATA masks BATA's overall financial strength. BATA has increased its cash and investment assets due to the bond issuance in October and maintains $175 million in assets restricted by bond covenants:

	2004	2005
Current Assets	$ 336,479	$ 524,366
Investments	109,932	28,544
Restricted non-current	175,000	175,000
Total	$ 621,411	$ 727,910
% of Operating Revenue	422%	291%
% of Debt Paid	2,330%	2,058%

BATA maintains a strong liquidity base and structural reserve program as part of its financing plan for the completion of RM 1. As a result of this financing plan and liquidity base, BATA remains one of the highest-rated transit credits with a Standard & Poor's rating of "AA-".

For the Future:

MTC

MTC is still at a critical juncture with the TransLink® program. TransLink® is a universal fare card based on smart-card technology being developed under contract to MTC. Phase I - Operator Test, was successful in developing operating processes with a limited number of operators. Phase II will see implementation on a more region-wide basis.

MTC recently completed an extensive evaluation of "back office" and technology controls at the TransLink® center and will continue working on financial controls as the system is developed. The transit operators have implemented a management group consisting of participating agencies that provide MTC with operational guidance, however, overall administrative responsibility for all TransLink® assets remain with MTC.

BATA

Toll traffic for fiscal year 2005 decreased a modest 2 percent compared to fiscal year 2004. There has not been a traffic drop since 1990 and BATA staff has determined that this drop maybe more the result of technical and staffing problems than a true traffic decrease. As such, traffic levels should recover in 2006. To facilitate possible system recovery, BATA has retained technical and maintenance contracts to maintain the toll system.

Controlling operating costs is important to BATA's financial future. During 2005, BATA opened a new electronic toll processing center with the Golden Gate Bridge, Highway and Transportation District and Caltrans. BATA administration believes a single facility will have efficiencies that will reduce processing and toll collection costs over time.

BATA expects bridge construction costs to be more controllable in the future. During 2005, BATA approved a $405 million change order for the Benicia-Martinez Bridge, which is intended to resolve most remaining construction issues but will bring RM 1 project costs to nearly $2.3 billion. BATA has the capacity to fund the current RM 1 construction program and maintain operating costs within the current $1.00 base toll. BATA completed the last scheduled RM 1 financing in fiscal 2005.

BATA is now preparing financing plans for both Regional Measure 2, approved by the voters in March, 2004 and the State Seismic Retrofit Program, assigned to BATA by the state in July, 2005.

MTC SAFE

MTC SAFE is undertaking a major effort to upgrade call box services throughout the nine-county Bay Area to adjust for reduced call loads. MTC SAFE will remove some non-essential call boxes while replacing and upgrading others.

Financial Information:

Management of MTC is responsible for establishing and maintaining a system of internal financial controls that provide reasonable, although not absolute, assurance that assets are protected from loss, theft or misuse. MTC management is responsible for assuring that adequate accounting controls are in place to provide reasonable assurance as to the accuracy of information and data used to prepare this report. The concept of reasonable assurance in internal controls recognizes that the cost of implementing a control should not outweigh the benefits likely to be received, and that the valuation of costs and benefits requires estimates and judgment exercised by management.

Single Audit:

In addition to the general audit, MTC is required to undergo a federally mandated "Single Audit" of federal expenditures and federal awards. The Single Audit is conducted in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and non-profit organizations. Under the Single Audit process, the independent auditor conducts tests to determine the adequacy of the internal control structure, including those related to federal funding, as well as to determine whether MTC complied with applicable laws and regulations.

The standards governing the Single Audit also require the independent auditor to report on a schedule of expenditures of federal awards, a schedule of findings and recommendations, the auditor's reports on the internal control structure, as well as compliance with applicable laws and regulations.

This report on federal award programs in accordance with OMB circular A-133 for fiscal year 2005 is issued in a separate report.

Budget Controls:

MTC adopts annual operating budgets for MTC, MTC SAFE and BATA. Operating budgets are adopted for a single fiscal year; project-length budgets are adopted for multi-year operating and capital project budgets. Budgetary controls are maintained to monitor compliance with the Commission's authorization and adopted rules. The legal level of control, the level at which expenditures cannot exceed budgets, is at the individual fund level. The Executive Director is authorized to reallocate resources within a single fund. However, all increases to any overall fund budget must be approved by the Commission.

MTC also maintains an encumbrance system. Encumbrances that exceed a single year are carried over and budgeted in the ensuing year.

General Government Functions:

MTC provides all services to all MTC funds and component units. MTC's principal purpose is to provide transportation planning, administration and funding to transit operators throughout the nine-county San Francisco Bay Area. Staff recommendations are presented for review and consideration by the Commission and any approved actions are administered by MTC staff regardless of the fund or enterprise involved.

Enterprise Operations:

MTC runs two business-type enterprise funds, MTC SAFE and BATA. In June 1988 MTC SAFE was created to receive $1 vehicle registration fee collected by the Department of Motor Vehicles in accordance with Streets & Highways Code § 2553. In 1993, MTC SAFE's authority was expanded to participate in the development of the Freeway Surface Patrol (FSP).

BATA was created in January, 1998, pursuant to Senate Bill 226, to administer the base toll revenue collected on seven state-owned bridges and to administer the $2.1 billion voter-approved Regional Measure 1 (RM 1) bridge construction program. In March 2005, voters in seven Bay Area counties approved Regional Measure 2, which increased the bridge toll by $1.00, beginning July 2005, to fund traffic and congestion management programs in the bridge corridors. BATA administers the toll collection program pursuant to a Memorandum of Understanding between BATA and Caltrans.

Retirement System:

MTC is a member of the California Public Employee Retirement System (CalPERS). MTC is required to contribute an actuarially determined amount as necessary to fund the contracted employee benefits.

Debt Administration:

The agency's debt consists of $1 billion in toll revenue bonds issued by BATA. The bonds are part of a $1 billion capital financing plan adopted by the Authority in 2001. The bonds consist of $100 million fixed rate and $900 million variable rate. The variable-rate bonds are all insured by Ambac Assurance Corporation. The fixed-rate bonds carried "AA"/"Aa3"/"AA-" ratings from Standard & Poor's, Moody's and Fitch respectively.

BATA has swapped a total of $800 million of the variable-rate debt to synthetic fixed-rate debt. The $300 million 2001 swap consists of BATA paying a contractual fixed rate ranging from 4.09 percent to 4.12 percent while receiving variable rate payments from the three counterparties, Ambac, Citicorp, and Morgan Stanley. The $150 million Ambac component is insured by Ambac for both BATA and counter-party failure while the $75 million to both Citicorp and Morgan Stanley must post collateral to a third party in the event of a downgrade.

BATA also swapped $200 million of the 2004 variable-rate bond issue. BATA will pay 4.139 percent while receiving a variable-rate payment based on 65 percent of one month LIBOR. Ambac provides insurance against payment failure or default on the part of BATA or the counterparty. In October 2005, BATA completed a $300 million floating-to-fixed rate swap with Ambac as counterparty. BATA pays 3.4155 percent while receiving a variable-rate payment based on 54 percent of the one-month LIBOR and 54 basis points for the life of the 2004 financing.

Cash Management:

Cash is invested as authorized under section 53600 of the California Government Code and the Investment Policy adopted by MTC. The Investment Policy emphasizes safety and minimum credit risk with a yield competitive within a market emphasizing safety.

The overall portfolio for fiscal 2005 ended at $810.4 million from fiscal 2004 to 2005. As of June 30, 2005, cash investments were as follows:

	2004	2005
• U.S. Government Agencies	$ 542,981	$ 520,146
• Mutual Funds	148,057	226,314
• Investment Pools	37,797	729
• Negotiable CD	-	20,260
• Commercial Paper	-	42,951
Total:	$ 728,835	$ 810,400

Except for designated reserves, which may have a maturity of up to 15 years, MTC's investment policy allows a maximum maturity of five years within structured liquidity constraints. The weighted average maturity of the portfolio was less than one year for all MTC, MTC SAFE and BATA operating funds. Designated BATA reserves have a weighted average maturity of 1.3 years. The earnings yield for fiscal year 2005 was 3.30 percent.

Local Economy:

The Bay Area rebounded in 2005 from 2004. Sales tax revenues increased by 5.2 percent over the previous year. Early indications for the fiscal 2006 year show sales tax receipts are higher than fiscal 2005 for the first quarter for eight of the nine counties. This is in line with economic forecasts for this region for slow to moderate growth.

Incomes are expected to grow slightly more than inflation. Inflation is not expected to grow rapidly given the softening in the energy markets and available labor force. Energy prices, the state budget, and terrorism continue to be a concern.

Job growth in the area is forecast as moderate.

Awards and Acknowledgments:

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Transmission Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the second consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the service of the finance staff. I thank the MTC finance staff for the hard work in producing this report in an accurate and timely manner.

Sincerely,

Brian Mayhew
Chief Financial Officer

METROPOLITAN
TRANSPORTATION
COMMISSION

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March 2005

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Chair

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Executive Director

Rosy Leyva
Commission Secretary

Maria Leon

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Therese McMillan

DEPUTY DIRECTOR, OPERATIONS
Ann Flemer

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Melanie J. Morgan
Deputy General Counsel
Cynthia Segal
Associate Counsel
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- Nancy Okasaki
- Chuck Purvis
- Janice Richards
- Rupinder Singh
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- Connie Soper
- Garlynn Woodsong

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Manager and
Chief Financial
Officer

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- Arnold Cristobal
- Abbey Haile
- Leslie Kraitchman
- Betty Lam
- Susana Lau
- Suk Li
- Linda McClain
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- Kate Miller
- Raymond Odunlami
- Vince Petrites
- Marc Roddin
- Li Zhang

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- Peter Beeler
- Ying Cai
- David Cooper
- Joe Curley
- Joan Friedman
- John Goodwin
- Ellen Griffin
- Pam Grove
- Brenda Kahn
- Rebecca Long
- Michele Stone
- Julie Tunnell
- Linda Walls

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- Jeff Georgevich
- Kenneth Kao
- Linda Lee
- Peter Lee
- Sze Lei Leong
- Jaime Maldonado
- Theresa Romell
- Danielle Stanislaus
- Sui Tan
- Radiah Taylor
- Tom Wells
- Wes Wells
- Beth Zelinski

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Affirmative Action
Officer

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Human Resources
Manager

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- Ty Gall
- Robert Hoffman
- Paula Johnson
- Ann Macaulay
- Irving Maxwell
- Ulaine Mossette
- Celeste Ramos
- Michelle Tan
- Norma White

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- Kay Bell
- Tom Bryan
- Valerie Campbell
- Betty Cecchini
- Frank Harris
- Yong Lee
- Ethan Michaels

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Manager

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- Jennifer Cheng
- David Dick
- Emilio Escudero
- Pierce Gould
- Susan Heinrich-Beaty
- Carol Kuester
- Jim Macrae
- Ben McKeever
- Debbie Scarborough
- Thomas Spiekerman
- Michele Trahan
- Emily Van Wagner
- Ursula Vogler

Vacant (2)

Footnotes:
130 authorized regular, full-time positions
1 Advises Commission Directly
updated 3-14-05_am

Steve Heminger
Executive Director

METROPOLITAN TRANSPORTATION COMMISSION

COMMISSIONERS

Jon Rubin, Chair	San Francisco Mayor's Appointee
John McLemore, Vice Chair	Cities of Santa Clara County
Tom Ammiano	City and County of San Francisco
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James P. Spering	Solano County and Cities
Pamela Torliatt	Association of Bay Area Governments
Shelia Young	Cities of Alameda County

APPOINTED OFFICIALS

Steve Heminger	Executive Director
Francis Chin	Legal Counsel

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transportation Commission, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Financials

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Report of Independent Auditors

To the Commissioners
Metropolitan Transportation Commission

In our opinion, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements, as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund activities, each major fund and the aggregate remaining fund information, at June 30, 2005 and 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended, and the respective budgetary comparison for the General Fund, AB 664 Net Toll Revenue Reserve Fund, and the State Transit Assistance Fund for the year ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the MTC's management. Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2005 on our consideration of MTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2005. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTC's basic financial statements. The supplemental schedules number 1 through 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 12, 2005

Management's Discussion and Analysis

This section presents a discussion of the results of operations and financial performance of Metropolitan Transportation Commission (MTC), its blended component units, and fiduciary funds for the years ended June 30, 2005 and 2004.

The results of the fiscal year 2005 was a year of improvement for MTC. MTC's general fund still incurred an operating deficit while there was a surplus in the MTC SAFE and BATA. The Bay Area economy improved from the previous year with the region's sales tax revenue showing an increase from the previous declining year. In addition to this positive increase, there were other highlights during the fiscal year as well. Several programs that made significant progress during this current year are as follows:

- MTC released its draft long-range transportation plan update, known as the Transportation 2030 Plan, concluding an eighteen-month public outreach and plan development period in November. The Commission adopted it in February 2005.
- BATA opened the FasTrak™ Regional Customer Service Center (RCSC) on May 30, 2005. This center merged the two centers previously operated by BATA and the Golden Gate Bridge Highway and Transportation District into a single facility under BATA. The number of FasTrak™ only lanes increased by five this year.
- 950 call boxes, managed under the MTC SAFE program, were removed this current year. The reason for this reduction is that many drivers rely on their cell phones for roadside assistance.
- The bridge toll for the seven state-owned bridges in the Bay Area increased by one dollar effective July 1, 2004. The Bay Area voters approved the Regional Measure 2 ballot in March 2004. This dollar is designated for a list of projects to reduce traffic congestion in the region. Allocations were made in the amount of $6,878,000 for operating and $242,731,000 for capital expenditures for this program for the year.
- MTC, along with BATA and MTC SAFE, purchased the second floor of the building it currently occupies to consolidate its operations back into one office with the planned return of the second satellite office in July 2005.
- The 511 Traveler Information Service recorded its five millionth call after its second full year of telephone and Web-based service.
- A marketing program succeeded in increasing electronic toll collections by allowing a discount to patrons with transponders for the first four months of the fiscal year. The number of vehicles using transponders comprised 32.1 percent of all paid vehicles in fiscal 2005 compared to 23.5 percent in fiscal 2004.

(Except as otherwise stated, all amounts described below are expressed in thousands of dollars – '000 removed)

A. Financial Highlights

Net assets continued to decrease in each of the last two years with a $180,574 decrease for 2005 and a $325,265 decrease for 2004. The decreases are primarily the result of planned project drawdowns in the BATA Regional Measure 1 (RM 1) program as further explained in section E of this discussion.

Net assets in the governmental funds increased $5,650 or 3.7 percent for 2005 compared to a $9,405 or 5.7 percent decrease for 2004 as reported under the accrual basis of accounting. Net assets in the governmental funds decreased for the last two years with a $5,755 or 5.5 percent decrease for 2005 compared to a $17,099 or 14.1 percent decrease for the year ended June 30, 2004 as reported under the modified accrual basis of accounting.

At June 30, 2005 fiscal year, the general fund unrestricted fund balances were $3,556 or 6.5 percent of total general fund expenditures. The general fund unrestricted fund balances at June 30, 2004 fiscal year were $4,133 or 7.5 percent of the total general fund expenditures. The unreserved general fund balance decreased by $577 or 14.0 percent in fiscal 2005 mainly due to a decrease in restricted net assets of $3,945 and an increase in capital expenditures of $3,308.

B. Overview of Government-Wide Financial Statements

The government-wide financial statements provide an overview of MTC and its blended component units. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities, and accompanying footnotes. The Statement of Net Assets presents information on the government-wide assets and liabilities of MTC at the end of the 2005 fiscal year. The difference between the assets and liabilities is reported as "Net Assets." The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2005 and 2004 fiscal years. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The government-wide financial statements distinguish business-type activities, which recover a significant portion of costs from user fees or charges, from governmental activities that are principally supported by grants, contributions, taxes and intergovernmental sources.

MTC is composed of governmental and business-type funds. The governmental funds comprise the general fund and the special revenue funds. The business or proprietary funds are BATA and MTC SAFE. These funds are further described on note 1A to the financial statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 14-17 of this report with the accompanying footnotes being presented on pages 35-65.

C. Overview of the Fund Financial Statements

i.) *Governmental Funds*

Governmental funds are used to account for the MTC activities supported by grants, contributions, sales taxes, and intergovernmental revenue sources. These funds focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund, two major special revenue funds, other minor special revenue funds and a capital projects fund. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and two of these special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 18-21 of this report. A schedule detailing the other special revenue funds are included on page 70-71 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and is presented in these financial statements on pages 23-25 of this report.

ii) *Proprietary Funds*

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and SAFE. These funds are presented as blended component units of MTC on the government-wide financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers the RM 1 and RM 2 capital improvement programs approved by the voters in 1988 and 2004, respectively. MTC SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 26-33.

iii) *Fiduciary Funds*

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC reports on two fiduciary funds, Transportation Development Act (TDA) and BART Half Cent Sales Tax (AB 1107) funds. Revenue for each of these funds are derived from sales tax revenues. The revenues for the TDA fund are deposited with the respective treasurer in each of the nine counties in the region. The revenues for the AB 1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statements are presented on page 34 of this report.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 35, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

E. Government-Wide Financial Analysis

Total government-wide liabilities exceeded assets for fiscal 2005 by $169,440 and government-wide assets exceeded liabilities by $11,134 for fiscal 2004 as illustrated in the following table. This represents a decrease in net assets for fiscal 2005 of $180,574 and a decrease of $325,265 for fiscal 2004.

i.) Statement of Net Assets

The following table shows the MTC's government-wide statements of net assets for the last 3 years:

Metropolitan Transportation Commission's Changes in Net Assets ($000)

	Governmental Activities			Business Type Activities			Total		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Cash and investments	$ 99,547	$ 105,502	$ 116,771	$ 738,684	$ 623,333	$ 863,450	$ 838,231	$ 728,835	$ 980,221
Receivables	20,720	13,248	29,318	13,014	18,866	37,636	33,734	32,114	66,954
Other assets	505	467	508	12,377	8,060	8,414	12,882	8,527	8,922
Loan to other agencies	56,090	47,810	39,935	-	4,400	2,003	56,090	52,210	41,938
Capital assets	6,051	2,945	3,146	4,750	1,741	2,137	10,801	4,686	5,283
Total assets	182,913	169,972	189,678	768,825	656,400	913,640	951,738	826,372	1,103,318
Long term debt, net		-	-	1,001,077	701,161	701,245	1,001,077	701,161	701,245
Other Liabilities	22,616	15,325	25,626	97,485	98,752	40,048	120,101	114,077	65,674
Total liabilities	22,616	15,325	25,626	1,098,562	799,913	741,293	1,121,178	815,238	766,919
Net assets:									
Invested in capital assets, net of related debt	6,051	2,946	3,146	4,895	1,886	2,137	10,946	4,832	5,283
Restricted	104,451	116,532	123,857	257,670	175,000	130,000	362,121	291,532	253,857
Unrestricted	49,795	35,169	37,049	(592,302)	(320,399)	40,210	(542,507)	(285,230)	77,259
Total net assets/ (deficit)	$ 160,297	$ 154,647	$ 164,052	$ (329,737)	$ (143,513)	$ 172,347	$ (169,440)	$ 11,134	$ 336,399

The increase in long-term debt of $300,000 for fiscal 2005 is due to a bond issuance in October 2004 for the 2004 Series Toll Revenue Bonds.

Total government-wide net assets decreased by $180,574 for fiscal 2005 and decreased by $325,265 for fiscal 2004. Most of the decrease for both years comes from the drawdowns for the RM 1 program under the BATA operations in the business type activities. The restricted net assets increased in fiscal 2005 by $70,589 or 24.2 percent compared to $37,675 or 14.8 percent for fiscal 2004. The 2005 increase is due to restricted assets for the Regional Measure 2 (RM 2) program. Senate Bill (SB) 916 requires the net assets of the RM 2 program be restricted for those purposes. The total unrestricted net assets for fiscal 2005 decreased by $257,277 or 90.2 percent and decreased by $362,489 or 469.2 percent for fiscal 2004. These decreases are again due to the BATA operations. The decrease for fiscal 2005 was less than the fiscal 2004 decrease due to the $300,000 bond issuance in fiscal 2005.

BATA is the financing arm for the Regional Measure 1 program. Under RM 1, BATA provides financing for construction work on bridges owned by Caltrans. To date, the debt issued for this work is $1,000,000. The cash proceeds from this debt are used to reimburse Caltrans for capital construction costs. Since the bridges are not capitalized under BATA, title remains with Caltrans, so the combination of distributions to Caltrans and increased debt to pay for project expenditures create a negative asset. BATA does not have sufficient current resources on hand to fund current and long-term liabilities. However, future toll revenues are pledged to cover debt service payments when made. This information is more fully disclosed in note 2 on page 45 of this report. At June 2005, MTC reported positive balances in all categories of net assets under governmental activities. The same was true for the 2004 year.

ii) *Statement of Activities*

MTC's net assets for governmental activities increased the last year by \$5,650 or 3.7 percent for fiscal 2005 and a decrease of \$9,405 or 5.7 percent for fiscal 2004. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission's Changes in Net Assets (\$000)

	Governmental Activities			Business Type Activities			Total		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Revenues:									
Program revenues:									
Charges for services	$ -	$ -	$ -	$ 256,466	$ 152,937	$ 151,914	$ 256,466	$ 152,937	$ 151,914
Operating grants and contributions	50,165	49,974	48,068	8,129	6,718	7,074	58,294	56,692	55,142
Capital grants and contributions	44,957	42,344	72,345	-	-	-	44,957	42,344	72,345
General revenues:						-	-	-	-
Investments earnings	2,791	1,090	1,764	21,747	11,185	25,793	24,538	12,275	27,557
Total revenues	97,913	93,408	122,177	286,342	170,840	184,781	384,255	264,248	306,958
Expenses:									
General government	47,452	47,238	48,571	-	-	-	47,452	47,238	48,571
Allocations to other agencies	71,885	81,873	105,152	-	-	-	71,885	81,873	105,152
Toll bridge activities	-	-	-	433,703	451,930	390,063	433,703	451,930	390,063
Congeston relief	-	-	-	11,789	10,869	10,376	11,789	10,869	10,376
Total expenses	119,337	129,111	153,723	445,492	462,799	400,439	564,829	591,910	554,162
Decrease in net assets before transfers	(21,424)	(35,703)	(31,546)	(159,150)	(291,959)	(215,658)	(180,574)	(327,662)	(247,204)
Transfers in (out)	27,074	26,298	27,250	(27,074)	(26,298)	(27,250)	-		
Contributed capital		-	-		2,397	-	-	2,397	-
Increase (decrease) in net assets	5,650	(9,405)	(4,296)	(186,224)	(315,860)	(242,908)	(180,574)	(325,265)	(247,204)
Net assets/(deficit), Beginning	154,647	164,052	168,348	(143,513)	172,347	415,255	11,134	336,399	583,603
Net assets (deficit), Ending	$ 160,297	$ 154,647	$ 164,052	$ (329,737)	$ (143,513)	$ 172,347	$ (169,440)	$ 11,134	$ 336,399

Charges for services program revenue increased by \$103,529 for 2005 and had a nominal increase of \$1,023 in fiscal 2004. The fiscal 2005 increase is due to the voter approved one-dollar increase in toll revenue as further explained in section F of this discussion.

Capital grants and contributions revenue increased in fiscal 2005 by \$2,613 or 6.2 percent compared to a decrease in fiscal 2004 of \$30,001 or 41.5 percent. The large decrease in 2004 is mainly due to the Regional Express Bus Program. The revenue in fiscal 2004 for this program was \$3,980 compared to \$34,952 for fiscal 2003 as this \$40,000 program nears completion.

Investment earnings increased in fiscal 2005 by \$12,263 or 99.9 percent and decreased by \$15,282 or 55.5 percent in fiscal year 2004. The fiscal 2005 increase was due to two factors – interest earnings and an unrealized gain on the revaluation of investments. There was an unrealized gain on revaluation of investments of \$2,019 from an unrealized loss on revaluation of \$7,680 for fiscal 2004. Also, interest earnings in 2005 were higher by \$2,564. Fiscal 2004 had an increase in unrealized loss on investments of \$7,781 and a decrease in interest earnings of \$7,501.

Allocations to other agencies decreased by $9,988 or 12.2 percent in fiscal 2005 compared to a decrease in fiscal 2004 of $23,279 or 22.1 percent. The decrease in 2005 is primarily due to a decrease in allocations from the AB 664 fund. The fiscal 2004 decrease is mainly due to allocations expense in two funds. Allocations expense increased for the AB 664 fund by $13,271 and the STA fund had a decrease of $ $30,972 for the Regional Express Bus program.

Toll bridge activities decreased by $18,227 or 14.0 percent versus an increase of $61,867 or 15.9 percent in fiscal 2004. The fiscal 2004 toll bridge activities increase is due primarily to interest expense and capital and operating expenses incurred by Caltrans.

F. Financial Analysis of Business-Type Activities

The following table shows the results of operations for the last three years.

Business-Type Funds ($000)	2005	2004	2003
Revenues:			
Toll revenues collected by Caltrans	$ 248,141	$ 145,176	$ 144,200
Other operating revenues	8,325	7,960	7,734
Total revenues	256,466	153,136	151,934
Operating expenses:			
Operating expenses incurred by Caltrans	37,582	44,456	35,717
Other operating expenses	35,397	14,442	13,495
Total operating expenses	72,979	58,898	49,212
Operating income/(loss)	183,487	94,238	102,722
Non-operating revenues/(expenses)			
Interest income	21,747	11,185	25,697
Interest expense	(35,374)	(26,663)	(20,441)
Other	8,130	6,518	7,150
	(5,497)	(8,960)	12,406
Income before operating and capital transfers	177,990	85,278	115,128
Transfers	(27,074)	(26,298)	(27,250)
Net income before capital transfers	150,916	58,980	87,878
Distributions/Contributions	(337,140)	(377,237)	(330,786)
Net assets before capital contribution	(186,224)	(318,257)	(242,908)
Contributed capital	-	2,397	-
Change in net assets	(186,224)	(315,860)	(242,908)
Total net assets/ (deficit) - beginning	(143,513)	172,347	415,255
Total net assets/ (deficit) - ending	$ (329,737)	$ (143,513)	$ 172,347

Toll revenue for the seven bridges increased the last two years. It increased by $102,965 or 70.9 percent in fiscal 2005 compared to $976 or 0.7 percent in fiscal 2004. The large increase for fiscal 2005 is due to the voter approved one-dollar toll increase effective July 2004. This additional dollar of toll revenue generated $107,481 of toll revenue for the RM 2 program. If this additional dollar of toll revenue were excluded, toll revenue for fiscal 2005 would decrease by $4,516 compared with an increase for fiscal 2004 of $976. The number of paid toll vehicles for all seven bridges decreased in fiscal 2005 from fiscal 2004. Detailed traffic counts are shown on schedules 10–17.

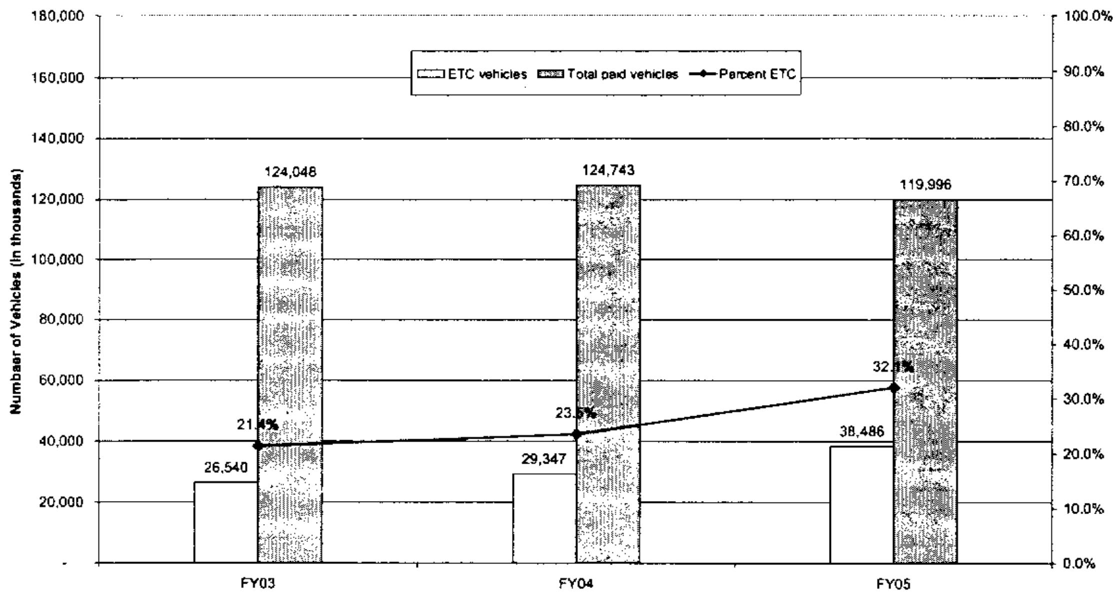
Operating expenses incurred by Caltrans decreased by $6,874 or 15.5 percent in fiscal 2005. The increase for the fiscal year 2004 was $8,739 or 25.5 percent. The decrease in 2005 includes a reduction of Advanced Toll Collection Accounting System (ATCAS)/Electronic Toll Collection (ETC) costs of $6,281 incurred by Caltrans. This responsibility transferred to BATA in fiscal 2005. The reduction of ETC expenses incurred by Caltrans is offset by an increase in other operating expense as these costs are now incurred by BATA. The increase in fiscal 2004 was due to several cost factors. Caltrans had to pay overtime to toll collectors due to a hiring freeze by the state. Maintenance costs increased due to the warranty expiring on the prior Caltrans operated ETC center. Other operating expenses increased in fiscal 2005 by $20,955 or 145.1 percent compared with fiscal 2004 increase of $947 or 7.0 percent. The large increase in fiscal 2005 includes several expenses. It includes the new RM 2 allocation expenses of $6,818, operating costs from the FasTrak™ center of $6,980, and fees reimbursed to the counties for the election costs associated with the RM 2 measure of $3,860.

Investment income increased this past year by $10,562 or 94.4 percent and decreased by $14,512 or 56.5 percent for fiscal 2004. The increase of $10,562 for 2005 comes mainly from an unrealized gain on revaluation of investments in fiscal 2005 of $1,856 and a loss on revaluation of investments in fiscal 2004 of $7,540. This loss on revaluation of investments in fiscal 2004 coupled with a decrease in interest income from investments of $5,640 is attributable to the fiscal 2004 decrease of $14,512.

Interest expense increased the last two years by $8,711 or 32.7 percent for fiscal 2005 and by $6,222 or 30.4 percent for fiscal 2004. The fiscal 2005 increase is due primarily to the interest expense for the 2004 Series bonds issued in October 2004. Interest expense on this 2004 Series was $7,761. The fiscal 2004 increase is due primarily to the interest expense for the Series 2003 bonds. The interest expense in fiscal 2004 for the Series 2003 bonds was $9,486 for twelve months compared with $3,288 in fiscal 2003 for four months.

Revenue collections from the FasTrak™ electronic toll program are increasing. Electronic toll revenue for the total number of paid vehicles comprised 32.1 percent of the total paid vehicles in fiscal 2005 compared to 23.5 percent in fiscal 2004 and 21.4 percent for fiscal 2003. The larger increase in fiscal 2005 is due to a marketing program that discounted the toll for the first four months to encourage patrons to get transponders. The graph on the next page illustrates the increase in ETC usage for the last three years.

ETC Usage by Fiscal Year



G. Financial Analysis of Governmental Activities

The fund balance of the MTC governmental funds was $98,172 and $103,928 for fiscal years 2005 and 2004 respectively, as reported under the modified accrual basis of accounting. The fund balance includes reserved and unreserved funds. Of the fund balance, an amount of $46,297 is reserved for encumbrances for fiscal 2005 and $51,490 for fiscal 2004. A reserve of $35,032 and $31,072 for fiscal 2005 and 2004, respectively, is to be used for purposes specific to the special revenue funds. An amount of $13,288 of the fund balance for 2005 and $17,233 for 2004 has been reserved for specific Commission or other legal purposes. The remaining balance of $3,556 for 2005 and $4,133 for 2004 represents unreserved funds available for appropriation at the government's discretion.

The following table illustrates the revenues and expenditures for the past two fiscal years. Refer to page 22 for reconciliation between the governmental funds to the Statement of Activities.

	Governmental Funds ($000)		
	2005	2004	2003
Revenues:			
Sales taxes	$ 9,562	$ 9,088	$ 8,903
Grants- Federal	32,568	30,979	28,129
Grants- State and other agencies	52,993	52,251	83,381
Invesment income	2,790	1,090	1,764
Total revenues	97,913	93,408	122,177
Expenditures:			
Current:			
General government	39,018	44,958	48,211
Allocations to other agencies	81,185	91,681	112,648
Capital outlay	10,540	166	56
Total expenditures	130,743	136,805	160,915
Transfers in	27,074	26,298	27,250
Net change in fund balance	(5,756)	(17,099)	(11,488)
Fund balance - beginning	103,928	121,027	132,515
Fund balance - ending	$ 98,172	$ 103,928	$ 121,027

MTC's sales tax revenue increased for the second straight year after two declining years. The increase for fiscal 2005 was $474 or 5.2 percent and fiscal 2004 had an increase of $185 or 2.1 percent. The increase in state and other agencies revenue for fiscal 2005 was almost flat at $742 or 1.4 percent. The decrease was $31,130 or 37.3 percent for fiscal 2004. Most of the increase in fiscal 2004 was attributable to the forty million dollar Express Bus Program with revenue of $34,952. Investment income increased in fiscal 2005 due to higher interest rates.

Total expenditures decreased in fiscal 2005 by $6,062 or 4.4 percent and decreased in fiscal 2004 by $24,110 or 15.0 percent. The decrease in fiscal 2005 was due mainly to decrease in professional fees. Allocations to other agencies decreased in 2005 by $10,496 or 11.4 percent due mainly to a decrease in allocations expense from the AB 664 net toll revenue fund. The decrease for fiscal 2004 of $20,967 or 18.6 percent was due primarily to two programs. First, allocations to other agencies decreased in fiscal 2004 by $30,972 for the Express Bus Program. Second, the AB 664 fund had an increase in allocations to other agencies of $13,271.

The increase in capital outlay for fiscal 2005 is due to the second floor purchase and the building improvements and $7,065 from the TransLink® project included in the capital projects fund.

Unreserved fund balances covered the deficits for fiscal years 2005 and 2004.

H. General Fund

The final fiscal year 2005 general fund revenue budget for MTC for the year was $58,405, an increase of $18,667 over the original budget adopted on July 1, 2004.

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2005.

	General Fund Budget			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	$ 39,738	$ 58,405	$ 41,204	$ (17,201)
Expenditures	43,942	70,937	51,789	19,148
Excess/(Deficiency)	(4,204)	(12,532)	(10,585)	1,947
Transfer in	4,204	5,037	5,344	307
Net change in fund balance	-	(7,495)	(5,241)	2,254
Fund balance - beginning	24,443	24,443	24,443	-
Fund balance - ending	$ 24,443	$ 16,948	$ 19,202	$ 2,254

The principal reason for the increase in the final budget from the adopted budget was due to a carryover of prior year funding. The expenditures in the final budget increased over the adopted budget due to prior year encumbrances being brought forward.

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Expenditures were also well below budget, with a net deficit of $5,241 after transfers.

Actual expenditures are lower than budget as not all the programs budgeted were completed by yearend.

The general fund's fund balance decreased by $5,241 at June 30, 2005 due to an increase in general government expenditures.

I. Fiduciary Funds

The following table illustrates the results of the fiduciary funds for the past three fiscal years.

	Fiduciary Funds ($000)					
	TDA Fund			AB1107 Fund		
	2005	2004	2003	2005	2004	2003
Additions:						
Local Transportation Fund	$ 273,187	$ 259,643	$ 254,381	$ -	$ -	$ -
AB 1107 Fees	-	-	-	59,379	56,937	55,819
Investment Income	1,604	1,326	1,908	69	126	121
Total Revenues	274,791	260,969	256,289	59,448	57,063	55,940
Deductions:						
Allocations	251,196	247,706	231,734	59,458	57,053	64,820
Administrative Expenses	10,003	9,889	9,712	-	-	-
Total Expenditures	261,199	257,595	241,446	59,458	57,053	64,820
Net of Additions over (under) Deductions	$ 13,592	$ 3,374	$ 14,843	$ (10)	$ 10	$ (8,880)

The region's sales tax revenue increased for the second year after two years of decline following the record sales tax revenue in 2001. All nine counties experienced an increase in sales tax revenue from the prior year. Four of the counties recorded record high sales tax revenue and two counties recorded the second highest gain after the record 2001 fiscal year. The sales tax revenue increased by $13,544 or 5.2 percent increase in fiscal 2005 year as compared with $5,262 or 2.1 percent increase for the fiscal 2004 year. Allocations expense for fiscal 2005 increased by $3,490 or 1.4 percent compared with a higher increase in fiscal 2004 of $15,972 or 6.9 percent. Detailed information for the fiduciary funds is shown on Schedules 18 - 19 of this report. Sales tax revenue for the AB 1107 fund increased by $2,442 or 4.3 percent in fiscal 2005 compared to an increase of $1,118 or 2.0 percent from fiscal 2004.

J. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary, is $10,801 for fiscal 2005 and $4,686 for fiscal 2004 as reported under the accrual basis of accounting. The second floor office space was purchased at the end of the fiscal year by MTC, MTC SAFE, and BATA for a combined total of $5,387, including improvements. Equipment costs for the new ETC Center were capitalized for $1,402. Nine hundred fifty call boxes were removed due to higher usage of cell phones, with a net book value of $111. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on MTC's capital assets is disclosed in note 4 on pages 51-52 of this report.

K. Long-Term Debt Administration

The only long-term debt issued by MTC is $1.0 billion (actual dollars) in bridge toll revenue bonds issued by BATA as part of its $2.1 billion (actual dollars) RM 1 bridge construction and rehabilitation program.

In August 2004, BATA completed a contract with Ambac Financial Services to swap a future $300 million floating rate issue to a synthetic fixed rate. The $300 million (actual dollars) in variable rate demand obligation (VRDO) bonds were subsequently issued in October 2004. BATA will pay a fixed payment of 3.4155 percent and receive a floating rate payment based on 54 percent of the weekly LIBOR index and 54 basis points. The transaction is insured against default, for BATA, and the counter-party, by Ambac Assurance Corporation.

BATA maintains long-term and short-term ratings from Standard & Poor's, Fitch Ratings, as well as Moody's Investors Services. At June 30, 2005, the long-term ratings are:

Standard & Poor's	AA/A1
Moody's	Aa3
Fitch	AA-/F1+

In addition, the 2001, 2003, and 2004 variable rate demand bonds carry the AAA /Aaa /AAA ratings of Standard & Poor's, Moody's and Fitch respectively by virtue of the insurance policy underwritten by AMBAC Assurance.

Additional information on MTC's long-term debt can be found in note 5 on pages 52-58 of this report.

L. Economic Factors Impacting MTC

The Bay Area economy still continues to lag behind the national economy according to a report from the Association of Bay Area Governments. However, income is expected to grow slightly more than inflation. Inflation is not expected to grow rapidly with the softening in the energy markets and available labor force. General factors include:

- Expect slow to moderate job growth to occur in 2005 and 2006.
- There was a 5.2 percent increase in sales tax revenue. Region-wide sales tax revenue increased for the second straight year after two straight declining years. Sales tax revenue for fiscal 2005 increased in all nine counties. First quarter 2006 sales tax revenue appear higher than 2005.
- MTC faces reauthorization of TEA 21 (renamed SAFETEA), which will increase its federal funding level to MTC. This reauthorization bill was passed in July 2005 after several rounds of delays and postponements. This will mean an increase in federal funding to MTC for 2006.

Requests for information

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8th Street, Oakland, CA 94607.

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	$ 74,458,997	$ 296,868,132	$ 371,327,129
Cash and cash equivalents - restricted	1,055,366	34,401,887	35,457,253
Investments - unrestricted	24,033,072	232,413,620	256,446,692
Investments - restricted	-	175,000,000	175,000,000
Receivables:			
Accounts and tolls due	32,954	2,835,775	2,868,729
Interest	187,498	3,368,002	3,555,500
State funding	10,163,074	2,751,431	12,914,505
Federal funding	9,547,671	92,275	9,639,946
Maintenance funding	-	3,966,913	3,966,913
Indirect cost recovery	789,232	-	789,232
Prepaid items	504,944	328,293	833,237
Bond issuance costs	-	12,048,163	12,048,163
Loans to other agencies	56,090,000	-	56,090,000
Capital assets (net of accumulated depreciation)	6,050,609	4,750,312	10,800,921
Total assets	182,913,417	768,824,803	951,738,220
Liabilities			
Accounts payable	18,196,148	10,620,945	28,817,093
Accrued liabilities	808,781	3,874,532	4,683,313
Deferred revenue	-	20,909,956	20,909,956
Due to / (from) other funds	1,560,061	(1,560,061)	-
Due to Caltrans	-	63,639,738	63,639,738
Noncurrent liabilities:			
Due within one year	918,252	5,785,000	6,703,252
Due in more than one year	1,133,165	995,292,069	996,425,234
Total liabilities	22,616,407	1,098,562,179	1,121,178,586
Net Assets / (Deficit)			
Invested in capital assets, net of related debt	6,050,609	4,895,382	10,945,991
Restricted for:			
Capital projects	46,297,108	-	46,297,108
Other purposes	58,154,008	257,670,228	315,824,236
Unrestricted	49,795,285	(592,302,986)	(542,507,701)
Total net assets / (deficit)	$ 160,297,010	$(329,737,376)	$ (169,440,366)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents - unrestricted	$ 94,246,939	$ 235,335,220	$ 329,582,159
Cash and cash equivalents - restricted	1,126,154	-	1,126,154
Investments - unrestricted	10,128,859	212,998,032	223,126,891
Investments - restricted	-	175,000,000	175,000,000
Receivables:			
Accounts and tolls due	17,934	8,581,367	8,599,301
Interest	82,798	4,107,673	4,190,471
State funding	3,399,493	2,209,916	5,609,409
Federal funding	8,454,523	-	8,454,523
Maintenance funding	-	3,966,913	3,966,913
Indirect cost recovery	1,293,297	-	1,293,297
Prepaid items	465,821	394,946	860,767
Bond issuance costs	-	7,665,109	7,665,109
Loans to other agencies	47,810,000	4,400,000	52,210,000
Capital assets (net of accumulated depreciation)	2,945,486	1,740,928	4,686,414
Total assets	169,971,304	656,400,104	826,371,408
Liabilities			
Accounts payable	12,035,980	2,069,258	14,105,238
Accrued liabilities	2,330,613	3,994,104	6,324,717
Due to/(from) other funds	(145,915)	145,915	-
Due to Caltrans	1,067,543	92,542,967	93,610,510
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	21,463	-	21,463
Due in more than one year	14,982	-	14,982
Long-term debt, net	-	701,160,994	701,160,994
Total liabilities	15,324,666	799,913,238	815,237,904
Net Assets			
Invested in capital assets, net of related debt	2,945,486	1,885,998	4,831,484
Restricted for:			
Capital projects	51,489,473	-	51,489,473
Other purposes	65,042,525	175,000,000	240,042,525
Unrestricted	35,169,154	(320,399,132)	(285,229,978)
Total net assets / (deficit)	$ 154,646,638	$(143,513,134)	$ 11,133,504

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2005

	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets — Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
Functions								
Governmental Activities:								
General government	$ 47,451,629	$ -	$ 47,782,474	$ -	$ 47,782,474	$ 330,845	$ -	$ 330,845
Transportation	71,885,313	-	2,382,018	44,957,468	47,339,486	(24,545,827)	-	(24,545,827)
Total governmental activities	119,336,942	-	50,164,492	44,957,468	95,121,960	(24,214,982)	-	(24,214,982)
Business-type Activities:								
Toll bridge activities	433,703,072	250,570,794	1,660,121	-	252,230,915	-	(181,472,157)	(181,472,157)
Congestion relief	11,788,922	5,895,417	6,469,285	-	12,364,702	-	575,780	575,780
Total business-type activities	445,491,994	256,466,211	8,129,406	-	264,595,617	-	(180,896,377)	(180,896,377)
Total primary government	$ 564,828,936	$ 256,466,211	$ 58,293,898	$ 44,957,468	$ 359,717,577	(24,214,982)	(180,896,377)	(205,111,359)
General revenues:								
Unrestricted investment earnings						2,790,946	21,746,543	24,537,489
Transfers						27,074,408	(27,074,408)	-
Total general revenues and transfers						29,865,354	(5,327,865)	24,537,489
Change in net assets						5,650,372	(186,224,242)	(180,573,870)
Net assets / (deficit) - beginning						154,646,638	(143,513,134)	11,133,504
Net assets / (deficit) - ending						$ 160,297,010	$(329,737,376)	$ (169,440,366)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2004

	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets — Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Governmental Activities	Business-type Activities	Total
Functions								
Governmental Activities:								
General government	$ 47,237,837	-	$ 46,497,074	$ -	$ 46,497,074	$ (740,763)	$ -	$ (740,763)
Transportation	81,873,193	-	3,476,702	42,343,900	45,820,602	(36,052,591)	-	(36,052,591)
Total governmental activities	129,111,030	-	49,973,776	42,343,900	92,317,676	(36,793,354)	-	(36,793,354)
Business-type Activities:								
Toll bridge activities	451,929,596	147,097,872	478,047	-	147,575,919	-	(304,353,677)	(304,353,677)
Congestion relief	10,869,417	5,839,026	6,239,872	-	12,078,898	-	1,209,481	1,209,481
Total business-type activities	462,799,013	152,936,898	6,717,919	-	159,654,817	-	(303,144,196)	(303,144,196)
Total primary government	$ 591,910,043	$ 152,936,898	$ 56,691,695	$ 42,343,900	$ 251,972,493	(36,793,354)	(303,144,196)	(339,937,550)
General revenues:								
Unrestricted investment earnings						1,089,784	11,184,788	12,274,572
Contributed capital						-	2,397,067	2,397,067
Transfers						26,297,739	(26,297,739)	-
Total general revenues and transfers						27,387,523	(12,715,884)	14,671,639
Change in net assets						(9,405,831)	(315,860,080)	(325,265,911)
Net assets / (deficit) - beginning						164,052,469	172,346,946	336,399,415
Net assets / (deficit) - ending						$ 154,646,638	$(143,513,134)	$ 11,133,504

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2005

	General	AB 664 Net Toll Revenue Reserve	STA	Other Governmental Funds	Capital Projects	Total Governmental Funds
Assets						
Cash and cash equivalents - unrestricted	$ 17,181,001	$ 12,185,083	$ 27,607,731	$ 17,485,182	$ -	$ 74,458,997
Cash and cash equivalents - restricted	1,055,366	-	-	-	-	1,055,366
Investments - unrestricted	180,072	23,853,000	-	-	-	24,033,072
Receivables:						
Accounts	32,954	-	-	-	-	32,954
Interest	1,280	125,531	60,000	687	-	187,498
State funding	1,790,331	-	8,372,743	-	-	10,163,074
Federal funding	8,718,874	-	-	-	828,797	9,547,671
Indirect cost recovery	789,232	-	-	-	-	789,232
Prepaid items	504,944	-	-	-	-	504,944
Total assets	$ 30,254,054	$ 36,163,614	$ 36,040,474	$ 17,485,869	$ 828,797	$ 120,772,808
Liabilities and fund balances						
Liabilities						
Accounts payable	$ 7,420,253	$ 2,250,505	$ 7,863,801	$ 463,177	$ 198,412	$ 18,196,148
Accrued liabilities	2,844,222	-	-	-	-	2,844,222
Due to other funds	787,101	-	52,807	188,708	531,445	1,560,061
Total liabilities	11,051,576	2,250,505	7,916,608	651,885	729,857	22,600,431
Fund balances						
Reserved for						
Capital Projects	2,358,864	32,082,794	3,261,560	8,494,950	98,940	46,297,108
Other	13,287,752	-	-	-	-	13,287,752
Unreserved, reported in						
General fund	3,555,862	-	-	-	-	3,555,862
Special revenue funds	-	1,830,315	24,862,306	8,339,034	-	35,031,655
Total fund balances	19,202,478	33,913,109	28,123,866	16,833,984	98,940	98,172,377
Total liabilities and fund balances	$ 30,254,054	$ 36,163,614	$ 36,040,474	$ 17,485,869	$ 828,797	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,050,609
Capital leases are not due and payable in the current period and therefore are not reported in the funds	(15,976)
Other long-term assets are not available for current-period expenditures and, therefore, are deferred in the funds	56,090,000
Net assets of governmental activities	$ 160,297,010

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Balance Sheet – Governmental Funds
June 30, 2004

	General	Transit Reserve	Rail Extension Reserve	Toll Revenue Reserve	Exchange	STA	Feeder Bus	Governmental Funds
Assets								
Cash and cash equivalents - unrestricted	$ 19,518,183	$ 2,357,111	$ 4,673,670	$ 28,417,487	$ 12,676,039	$ 26,582,920	$ 21,529	$ 94,246,939
Cash and cash equivalents - restricted	1,126,154	-	-	-	-	-	-	1,126,154
Investments	176,859	-	-	9,952,000	-	-	-	10,128,859
Receivables:								
Accounts	17,934	-	-	-	-	-	-	17,934
Interest	633	-	100	32,065	-	50,000	-	82,798
State Funding	3,399,493	-	-	-	-	-	-	3,399,493
Federal Funding	8,454,523	-	-	-	-	-	-	8,454,523
Indirect cost recovery	1,293,297	-	-	-	-	-	-	1,293,297
Prepaid items	465,821	-	-	-	-	-	-	465,821
Total assets	$ 34,452,897	$ 2,357,111	$ 4,673,770	$ 38,401,552	$ 12,676,039	$ 26,632,920	$ 21,529	$ 119,215,818
Liabilities and fund balances								
Liabilities								
Accounts Payable	$ 8,285,495	$ 64,943	$ -	$ 4,543,202	$ 74,959	$ 134,924	$ -	$ 13,103,523
Accruals	2,188,600	-	200	51,408	-	90,405	-	2,330,613
Due to other funds	(463,700)	10,243	(72,091)	(26,954)	361,491	45,096	-	(145,915)
Total liabilities	10,010,395	75,186	(71,891)	4,567,656	436,450	270,425	-	15,288,221
Fund balances								
Reserved for								
Capital Projects	3,076,847	2,143,967	1,284,194	32,240,097	7,932,966	4,811,402	-	51,489,473
Other	17,232,525	-	-	-	-	-	-	17,232,525
Unreserved, reported in								
General fund	4,133,130	-	-	-	-	-	-	4,133,130
Special revenue funds	-	137,958	3,461,467	1,593,799	4,306,623	21,551,093	21,529	31,072,469
Total fund balances	24,442,502	2,281,925	4,745,661	33,833,896	12,239,589	26,362,495	21,529	103,927,597
Total liabilities and fund balances	$ 34,452,897	$ 2,357,111	$ 4,673,770	$ 38,401,552	$ 12,676,039	$ 26,632,920	$ 21,529	
Amounts reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds								2,945,486
Capital leases are not due and payable in the current period and therefore are not reported in the funds								(36,445)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds								47,810,000
Net assets of governmental activities								$ 154,646,638

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2005

	General	AB 664 Net Toll Revenue Reserve	STA	Other Governmental Funds	Capital Projects	Total Governmental Funds
Revenues						
Sales taxes	$ 9,561,542	$ -	$ -	$ -	$ -	$ 9,561,542
Grants - Federal	26,769,025	-	-	-	5,798,614	32,567,639
Grants - State	939,273	-	43,522,214	2,877,999	-	47,339,486
Project grants from local agencies	3,153,293	-	-	2,500,000	-	5,653,293
Investment income	781,240	923,488	526,236	559,982	-	2,790,946
Total revenues	41,204,373	923,488	44,048,450	5,937,981	5,798,614	97,912,906
Expenditures						
Current:						
General government	39,015,126	2,849	-	456	-	39,018,431
Allocations to other agencies	9,299,290	12,754,736	41,161,179	17,969,398	-	81,184,603
Capital outlay	3,474,484	-	-	-	7,065,016	10,539,500
Total expenditures	51,788,900	12,757,585	41,161,179	17,969,854	7,065,016	130,742,534
Excess / (deficiency) of revenues over / (under) expenditures	(10,584,527)	(11,834,097)	2,887,271	(12,031,873)	(1,266,402)	(32,829,628)
Other financing sources / uses						
Transfers in	5,355,310	11,913,310	-	10,839,709	1,266,402	29,374,731
Transfers out	(10,807)	-	(1,125,900)	(1,262,556)	98,940	(2,300,323)
Total other financing sources and uses	5,344,503	11,913,310	(1,125,900)	9,577,153	1,365,342	27,074,408
Net change in fund balances	(5,240,024)	79,213	1,761,371	(2,454,720)	98,940	(5,755,220)
Fund balances - beginning	24,442,502	33,833,896	26,362,495	19,288,704	-	103,927,597
Fund balances - ending	$ 19,202,478	$ 33,913,109	$ 28,123,866	$ 16,833,984	$ 98,940	$ 98,172,377

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2004

	General	Transit Reserve	Rail Extension Reserve	AB664 Net Toll Revenue Reserve	Exchange	STA	Feeder Bus	Total Governmental Funds
Revenues								
Sales taxes	$ 9,087,510	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,087,510
Grants - Federal	30,979,398	-	-	-	-	-	-	30,979,398
Grants - State	4,607,302	2,849,504	-	-	-	38,363,796	-	45,820,602
Project grants from local agencies	3,930,166	-	-	-	-	-	2,500,000	6,430,166
Investment income	151,394	38,991	100,901	469,466	111,750	214,226	3,056	1,089,784
Total revenues	48,755,770	2,888,495	100,901	469,466	111,750	38,578,022	2,503,056	93,407,460
Expenditures								
Current:								
General government	44,952,850	-	931	4,085	-	-	-	44,957,866
Allocations to other agencies	9,807,399	4,537,208	10,992,212	24,481,428	330,123	38,618,599	2,913,624	91,680,593
Capital outlay	166,011	-	-	-	-	-	-	166,011
Total expenditures	54,926,260	4,537,208	10,993,143	24,485,513	330,123	38,618,599	2,913,624	136,804,470
Excess / (deficiency) of revenues over / (under) expenditures	(6,170,490)	(1,648,713)	(10,892,242)	(24,016,047)	(218,373)	(40,577)	(410,568)	(43,397,010)
Other financing sources / uses								
Transfers in	6,257,551	989,075	10,030,620	12,292,116	-	394,439	-	29,963,801
Transfers out	(2,856,710)	-	-	-	(809,352)	-	-	(3,666,062)
Total other financing sources and uses	3,400,841	989,075	10,030,620	12,292,116	(809,352)	394,439	-	26,297,739
Net change in fund balances	(2,769,649)	(659,638)	(861,622)	(11,723,931)	(1,027,725)	353,862	(410,568)	(17,099,271)
Fund balances - beginning	27,212,151	2,941,563	5,607,283	45,557,827	13,267,314	26,008,633	432,097	121,026,868
Fund balances - ending	$ 24,442,502	$ 2,281,925	$ 4,745,661	$ 33,833,896	$ 12,239,589	$ 26,362,495	$ 21,529	$ 103,927,597

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Years Ended June 30, 2005 and 2004

	2005	2004
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditure and Changes in Fund Balances)	$ (5,755,220)	$ (17,099,271)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded non capital lease capital outlays in the current period	3,105,123	(200,112)
The loan receivable from another agency is not recorded as a long-term asset in the governmental funds. Additional loan advances forwarded to the agency during the fiscal year are expensed in the governmental fund but are capitalized as a long-term asset in the statement of net assets. These amounts represents fiscal 2005 and 2004 loan advances, respectively.	8,280,000	7,875,000
Principal repayment on capital leases in an expenditure in the governmental funds, however the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	20,469	18,552
Change in net assets of governmental activities (per Statement of Activities)	$ 5,650,372	$ (9,405,831)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues				
Sales taxes for planning activities	$ 9,191,428	$ 9,191,428	$ 9,561,542	$ 370,114
Grants - Federal	23,048,214	37,784,422	26,769,025	(11,015,397)
Grants - State	4,119,811	5,829,188	939,273	(4,889,915)
Project grants from state and local agencies	2,050,692	3,902,831	3,149,178	(753,653)
Investment income	400,000	400,000	781,240	381,240
Other	928,652	1,297,293	4,115	(1,293,178)
Total revenues	39,738,797	58,405,162	41,204,373	(17,200,789)
Expenditures				
Current:				
General government	38,403,781	56,660,555	39,015,126	17,645,429
Allocations to other agencies	5,538,689	9,326,045	9,299,290	26,755
Capital outlay		4,950,000	3,474,484	1,475,516
Total expenditures	43,942,470	70,936,600	51,788,900	19,147,700
Deficiency of revenues under expenditures	(4,203,673)	(12,531,438)	(10,584,527)	1,946,911
Other financing sources				
Transfers in	4,203,673	5,036,917	5,344,503	307,586
Net change in fund balances	-	(7,494,521)	(5,240,024)	2,254,497
Fund balances - beginning	24,442,502	24,442,502	24,442,502	-
Fund balances - ending	$ 24,442,502	$ 16,947,981	$ 19,202,478	$ 2,254,497

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserve Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Investment income	$ -	$ -	$ 923,488	$ 923,488
Total revenues	-	-	923,488	923,488
Expenditures				
Current:				
General governement	-	-	2,849	(2,849)
Allocations to other agencies	12,268,857	44,508,954	12,754,736	31,754,218
Total expenditures	12,268,857	44,508,954	12,757,585	31,751,369
Deficiency of revenues under expenditures	(12,268,857)	(44,508,954)	(11,834,097)	32,674,857
Other financing sources				
Transfers in	12,268,857	12,268,857	11,913,310	(355,547)
Net change in fund balances	-	(32,240,097)	79,213	32,319,310
Fund balances - beginning	33,833,896	33,833,896	33,833,896	-
Fund balances - ending	$ 33,833,896	$ 1,593,799	$ 33,913,109	$ 32,319,310

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Transit Assistance Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues				
Project grants from state and local agencies	$ 43,109,114	$ 43,109,114	$ 43,522,214	$ 413,100
Investment income	-	-	526,236	526,236
Total revenues	43,109,114	43,109,114	44,048,450	939,336
Expenditures				
Current:				
Allocations to other agencies	51,234,858	56,046,100	41,161,179	14,884,921
Excess (deficiency) of revenues over (under) expenditures	(8,125,744)	(12,936,986)	2,887,271	15,824,257
Other financing sources / (uses)				
Transfers (out) / in	-	-	(1,125,900)	(1,125,900)
Net change in fund balances	(8,125,744)	(12,936,986)	1,761,371	14,698,357
Fund balances - beginning	26,362,495	26,362,495	26,362,495	-
Fund balances - ending	$ 18,236,751	$ 13,425,509	$ 28,123,866	$ 14,698,357

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	$ 295,723,582	$ 1,144,550	$ 296,868,132
Cash and cash equivalents - restricted	34,401,887	-	34,401,887
Short-term investments	184,028,744	19,840,976	203,869,720
Accrued interest	3,283,375	84,627	3,368,002
Prepaid expenses	64,834	202,313	267,147
Caltrans funding due	-	2,751,431	2,751,431
Tolls due from Caltrans	2,377,432	-	2,377,432
Funding due from local agency	458,223	-	458,223
Maintenance funding due from Caltrans	3,966,913	-	3,966,913
Prepayments to the Architectural Revolving Fund	61,146	-	61,146
Other receivables due from Caltrans	120	92,275	92,395
Total current assets	524,366,256	24,116,172	548,482,428
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	1,413,791	23,584	1,437,375
Call boxes, net of accumulated depreciation	-	1,312,937	1,312,937
Building	1,000,000	1,000,000	2,000,000
Capital assets, net	2,413,791	2,336,521	4,750,312
Non-current assets:			
Investments	28,543,900	-	28,543,900
Bond issuance costs	12,048,163	-	12,048,163
Total non-current assets	40,592,063	-	40,592,063
Restricted non-current assets:			
Investments	175,000,000	-	175,000,000
Total non-current assets	218,005,854	2,336,521	220,342,375
Total assets	742,372,110	26,452,693	768,824,803
Liabilities			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	9,502,396	1,036,327	10,538,723
Accrued expenses	-	109,326	109,326
Accrued interest payable	3,765,206	-	3,765,206
Deferred revenue	20,909,956	-	20,909,956
Retentions payable	79,141	3,081	82,222
Long-term debt - current	5,785,000	-	5,785,000
Due to / (from) MTC	390,850	(1,950,911)	(1,560,061)
Due to Caltrans	63,639,738	-	63,639,738
Total current liabilities payable from unrestricted assets	104,072,287	(802,177)	103,270,110
Non-current liabilities:			
Long-term debt, net	995,292,069	-	995,292,069
Total liabilities	1,099,364,356	(802,177)	1,098,562,179
Net assets / (deficit)			
Invested in capital assets, net of related debt	2,413,791	2,481,591	4,895,382
Restricted net assets	257,670,228	-	257,670,228
Unrestricted net assets	(617,076,265)	24,773,279	(592,302,986)
Total net assets / (deficit)	$(356,992,246)	$ 27,254,870	$ (329,737,376)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 225,427,633	$ 9,907,587	$ 235,335,220
Short-term investments	89,826,820	13,238,921	103,065,741
Accrued interest	4,076,227	31,446	4,107,673
Prepaid expenses	86,773	194,550	281,323
Caltrans funding due	-	2,209,916	2,209,916
Tolls due from Caltrans	8,103,320	-	8,103,320
Funding due from local agency	478,047	-	478,047
Maintenance funding due from Caltrans	3,966,913	-	3,966,913
Prepayments to the Architectural Revolving Fund	113,623	-	113,623
Other receivables due from Caltrans	4,400,000	-	4,400,000
Total current assets	336,479,356	25,582,420	362,061,776
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	7,670	51,876	59,546
Call boxes, net of accumulated depreciation	-	1,681,382	1,681,382
Capital assets, net	7,670	1,733,258	1,740,928
Non-current assets:			
Investments	109,932,291	-	109,932,291
Bond issuance costs	7,665,109	-	7,665,109
Total non-current assets	117,597,400	-	117,597,400
Restricted non-current assets:			
Investments	175,000,000	-	175,000,000
Total non-current assets	292,605,070	1,733,258	294,338,328
Total assets	629,084,426	27,315,678	656,400,104
Liabilities			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	1,104,901	893,624	1,998,525
Accrued expenses	1,027,115	32,506	1,059,621
Accrued interest payable	2,934,483	-	2,934,483
Retentions payable	59,624	11,109	70,733
Due to / (from) MTC	571,892	(425,977)	145,915
Due to Caltrans	92,542,967	-	92,542,967
Total current liabilities payable from unrestricted assets	98,240,982	511,262	98,752,244
Non-current liabilities:			
Long-term debt, net	701,160,994	-	701,160,994
Total liabilities	799,401,976	511,262	799,913,238
Net assets / (deficit)			
Invested in capital assets, net of related debt	7,670	1,878,328	1,885,998
Restricted net assets	175,000,000	-	175,000,000
Unrestricted net assets	(345,325,220)	24,926,088	(320,399,132)
Total net assets / (deficit)	$ (170,317,550)	$ 26,804,416	$ (143,513,134)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	$ 248,140,901	$ -	$ 248,140,901
Department of Motor Vehicles registration fees	-	5,895,417	5,895,417
Other operating revenues	2,429,893	-	2,429,893
Total operating revenues	250,570,794	5,895,417	256,466,211
Operating expenses			
Operating expenses	37,582,215	-	37,582,215
Towing contracts	-	7,579,203	7,579,203
Professional fees	14,033,774	1,091,785	15,125,559
Allocations to other agencies	6,817,635	-	6,817,635
Salaries and benefits	1,403,665	820,854	2,224,519
Repairs and maintenance	-	971,319	971,319
Communications charges	676	353,098	353,774
Depreciation and amortization	336,572	286,194	622,766
Other operating expenses	1,014,989	686,469	1,701,458
Total operating expenses	61,189,526	11,788,922	72,978,448
Operating income / (loss)	189,381,268	(5,893,505)	183,487,763
Non-operating revenues / (expenses)			
Investment income	21,234,931	511,612	21,746,543
Interest expense	(35,373,668)	-	(35,373,668)
Other non-operating expenses	-	(80,267)	(80,267)
Caltrans/other agency operating grants	1,660,121	6,457,277	8,117,398
Federal operating grants	-	92,275	92,275
Total non-operating revenues / (expenses), net	(12,478,616)	6,980,897	(5,497,719)
Income before operating and capital transfers	176,902,652	1,087,392	177,990,044
Transfers			
Transfers to Metropolitan Transportation Commission	(26,040,892)	(1,033,516)	(27,074,408)
Net income before capital transfers	150,861,760	53,876	150,915,636
Capital distributions / capital contributions			
Capital distributions to Caltrans	(320,442,456)	-	(320,442,456)
Capital distributions to other agencies	(16,697,422)	-	(16,697,422)
Captial contribution between programs	(396,578)	396,578	-
Total distributions / contributions	(337,536,456)	396,578	(337,139,878)
Change in net assets	(186,674,696)	450,454	(186,224,242)
Total net assets / (deficit) - beginning	(170,317,550)	26,804,416	(143,513,134)
Total net assets / (deficit) - ending	$ (356,992,246)	$ 27,254,870	$ (329,737,376)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	$ 145,176,202	$ -	$ 145,176,202
Department of Motor Vehicles registration fees	-	5,839,026	5,839,026
Other operating revenues	1,921,670	199,245	2,120,915
Total operating revenues	147,097,872	6,038,271	153,136,143
Operating expenses			
Operating expenses	44,456,244	-	44,456,244
Towing contracts	-	6,936,786	6,936,786
Professional fees	1,863,054	722,339	2,585,393
Salaries and benefits	1,101,243	685,695	1,786,938
Repairs and maintenance	-	952,485	952,485
Communications charges	437	451,918	452,355
Depreciation and amortization	177,274	409,529	586,803
Other operating expenses	430,092	710,665	1,140,757
Total operating expenses	48,028,344	10,869,417	58,897,761
Operating income / (loss)	99,069,528	(4,831,146)	94,238,382
Non-operating revenues / (expenses)			
Investment income	11,007,091	177,697	11,184,788
Interest expense	(26,663,420)	-	(26,663,420)
Caltrans/other agency operating grants	478,047	5,884,069	6,362,116
Federal operating grants	-	156,558	156,558
Total non-operating revenues / (expenses), net	(15,178,282)	6,218,324	(8,959,958)
Income before operating and capital transfers	83,891,246	1,387,178	85,278,424
Transfers			
Transfers to Metropolitan Transportation Commission	(25,163,318)	(1,134,421)	(26,297,739)
Net income before capital transfers	58,727,928	252,757	58,980,685
Capital distributions / captial contributions			
Capital distributions to Caltrans	(373,331,113)	-	(373,331,113)
Capital distributions to other agencies	(3,906,719)	-	(3,906,719)
Capital contribution between programs	(70,000)	70,000	-
Total distributions / contributions	(377,307,832)	70,000	(377,237,832)
Contributed capital	2,397,067	-	2,397,067
Change in net assets	(316,182,837)	322,757	(315,860,080)
Total net assets - beginning	145,865,287	26,481,659	172,346,946
Total net assets / (deficit) - ending	$ (170,317,550)	$ 26,804,416	$ (143,513,134)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	$ 274,776,745	$ 5,895,417	$ 280,672,162
Cash payments to suppliers for services	(55,749,569)	(12,823,930)	(68,573,499)
Other receipts	6,829,773	(92,275)	6,737,498
Net cash provided by / (used in) operating activities	225,856,949	(7,020,788)	218,836,161
Cash flows from non-capital financing activities			
Caltrans operating grants	1,679,945	6,457,277	8,137,222
Federal operating grants	-	92,275	92,275
Distributions to Caltrans for capital expenses	(347,037,234)	-	(347,037,234)
Distributions to other agencies	(16,697,422)	-	(16,697,422)
Net cash provided by / (used in) non-capital financing activities	(362,054,711)	6,549,552	(355,505,159)
Cash flows from capital and related financing activities			
Proceeds from issuance of revenue bonds	300,000,000	-	300,000,000
Bond issuance costs	(4,801,680)	-	(4,801,680)
Interest paid on bonds & capital leases	(34,542,945)	-	(34,542,945)
Amounts charged against Architecture Revolving Fund (ARF)	52,477	-	52,477
Transfers to MTC	(26,221,934)	(1,575,031)	(27,796,965)
Transfers to SAFE	(396,578)	396,578	-
Proceeds from sale of facilities, property and equipment	-	30,276	30,276
Expenditures for facilities, property and equipment	(2,407,992)	(1,000,000)	(3,407,992)
Net cash provided by / (used in) capital and related financing activities	231,681,348	(2,148,177)	229,533,171
Cash flows from investing activities			
Proceeds from sale & maturities of investments	1,943,773,370	52,749,537	1,996,522,907
Purchase of investments	(1,954,730,343)	(59,297,493)	(2,014,027,836)
Interest and dividends received	20,171,223	404,332	20,575,555
Net cash provided by / (used in) investing activities	9,214,250	(6,143,624)	3,070,626
Net increase / (decrease) in cash and cash equivalents	104,697,836	(8,763,037)	95,934,799
Balances - Beginning of year	225,427,633	9,907,587	235,335,220
Balances - End of year	$ 330,125,469	$ 1,144,550	$ 331,270,019
Schedule of noncash activities			
Change in the fair value of investments that are not cash and cash equivalents	$ 85,556	$ -	$ 85,556

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	$ 189,381,268	$ (5,893,505)	$ 183,487,763
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	336,572	286,194	622,766
Net effect of changes in:			
Tolls due from Caltrans	5,725,888	-	5,725,888
Prepaid expenses and other assets	21,939	(7,763)	14,176
Due to Caltrans	(2,308,451)	-	(2,308,451)
Deferred revenue	20,909,956	-	20,909,956
Other receivables due from Caltrans	4,399,880	(92,275)	4,307,605
Accounts payable and accrued expenses	7,389,897	(1,313,439)	6,076,458
Net cash provided by / (used in) operating activities	$ 225,856,949	$ (7,020,788)	$ 218,836,161

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	$ 140,800,297	$ 5,839,026	$ 146,639,323
Cash payments to suppliers for services	(58,514,978)	(11,020,715)	(69,535,693)
Other receipts	15,905,457	199,245	16,104,702
Net cash provided by / (used in) operating activities	98,190,776	(4,982,444)	93,208,332
Cash flows from non-capital financing activities			
Caltrans operating grants	-	11,609,937	11,609,937
Federal operating grants	-	1,502,648	1,502,648
Distributions to Caltrans for capital expenses	(303,451,618)	-	(303,451,618)
Distributions to other agencies	(3,906,719)	-	(3,906,719)
Net cash provided by / (used in) non-capital financing activities	(307,358,337)	13,112,585	(294,245,752)
Cash flows from capital and related financing activities			
Interest paid on bonds & capital leases	(26,597,693)	-	(26,597,693)
Amounts charged against Architecture Revolving Fund (ARF)	78,887	-	78,887
Transfers to MTC	(25,163,318)	(1,134,421)	(26,297,739)
Transfers to SAFE	(70,000)	70,000	-
Expenditures for facilities, property and equipment	(7,578)	(7,820)	(15,398)
Net cash provided by / (used in) capital and related financing activities	(51,759,702)	(1,072,241)	(52,831,943)
Cash flows from investing activities			
Proceeds from sale & maturities of investments	1,403,357,642	30,277,056	1,433,634,698
Purchase of investments	(1,322,857,564)	(33,258,264)	(1,356,115,828)
Interest and dividends received	21,126,363	174,977	21,301,340
Net cash provided by / (used in) investing activities	101,626,441	(2,806,231)	98,820,210
Net increase / (decrease) in cash and cash equivalents	(159,300,822)	4,251,669	(155,049,153)
Balances - Beginning of year	384,728,455	5,655,918	390,384,373
Balances - End of year	$ 225,427,633	$ 9,907,587	$ 235,335,220
Schedule of noncash activities			
Change in the fair value of investments that are not cash and cash equivalents	$ (7,550,007)	$ 1,711	$ (7,548,296)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	$ 99,069,528	$ (4,831,146)	$ 94,238,382
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	177,274	409,529	586,803
Net effect of changes in:			
Tolls due from Caltrans	(4,375,905)	-	(4,375,905)
Maintenance funding due from Caltrans	13,809,811	-	13,809,811
Prepaid expenses and other assets	24,587	(8,073)	16,514
Due to Caltrans	(12,897,000)	-	(12,897,000)
Other receivables due from Caltrans	173,976	-	173,976
Accounts payable and accrued expenses	2,208,505	(552,754)	1,655,751
Net cash provided by / (used in) operating activities	$ 98,190,776	$ (4,982,444)	$ 93,208,332

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2005 and 2004

	2005 Fiduciary Funds	2004 Fiduciary Funds
Assets		
Restricted assets held by participating counties	$ 91,485,553	$ 75,379,130
Interest receivable	-	108,410
Total Assets	$ 91,485,553	$ 75,487,540
Liabilities		
Accounts payable	$ 6,061,249	$ 2,028,205
Due to other governments	85,424,304	73,459,335
Total Liabilities	$ 91,485,553	$ 75,487,540

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Metropolitan Transportation Commission (MTC) was established under Government Code Section 66500 et seq. the laws of the State of California (State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

The MTC's principal sources of revenue to fund its operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area Counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies.

The accompanying financial statements present MTC and its blended component units. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14 as it has separate legal status. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because they are financially accountable to MTC. The blended component units, although legally separate entities are, in substance, part of the MTC's operations and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

Blended component units

i.) Bay Area Toll Authority

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998. Senate Bill 226 amended Streets and Highway Code Section 30950 et seq. and transferred to BATA certain California Transportation Commission (CTC) and State of California, Department of Transportation (Caltrans) duties and responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These responsibilities also include administration of the Regional Measure 1 capital improvement program approved by the voters in 1988. The toll bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans. A new ten-year agreement was signed in January 2003.

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan for Regional Measure 1 projects as required by the Streets and Highway Code. With the concurrence of Caltrans, the plan gives first priority to projects and expenditures that are deemed necessary by Caltrans to preserve and protect the bridges as provided by the Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

In March 2004, seven Bay Area counties approved Regional Measure 2. Regional Measure 2 increased the toll by one dollar on all seven bridges in order to fund various capital and operating programs for congestion relief. The dollar surcharge became effective July 1, 2004.

The responsibilities of Caltrans reside with the ownership, operation and maintenance of the bridges, including the installation, maintenance and operations of toll collections facilities and equipment, the generation and maintenance of proper records relating to the collection and accounting of all toll funds collected. Under the terms of the Cooperative Agreement signed in January 2003, BATA assumed responsibility for electronic toll collection starting in April 2004. BATA's FasTrak™ Center consolidated its operations to include Golden Gate Bridge Highway and Transportation District on May 30, 2005.

Except for the seismic retrofit charge, all the toll revenues and certain other income are transferred to BATA to be managed in accordance with the Cooperative Agreement.

The activities of BATA are structured as a single enterprise with operating revenue and expense recorded by individual bridges.

ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)

In June 1988, the MTC SAFE was created to receive funds collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2500 et seq., which permits the collection of up to $1 per registered vehicle in participating counties. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Call Box program. The following counties are participants in the MTC SAFE: San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The MTC SAFE now receives additional funding under this program to provide tow truck services to stranded motorists. Three principal sources of funding for the FSP program include state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Call Box program supports the FSP program by transferring funds each year.

The management of the MTC SAFE has contracted with the MTC to utilize the administrative personnel and facilities of the MTC.

iii.) MTC Special Revenue Funds

Transit Reserve Fund – The 1988 Regional Measure 1 toll increase authorizes up to 3 percent of toll revenue to be used for congestion-relieving transit operation and capital projects in the bridge corridors and an additional 2 percent of the increase to be used for ferry service capital projects. The calculation of the transit reserves was revised in Section 30913 (b) of the Streets and Highway Code to 1/3 of 2 percent of base toll revenues collected on all seven Bay Area state-owned bridges effective January 1, 2004. When the state-owned toll bridges became eligible for federal funding in April 2000, transit operations could no longer be funded because federal funding guidelines allow toll revenues to be used for transit capital projects but not for transit operations. As such, MTC no longer funds transit operations with toll revenue.

Caltrans entered into a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC to replace the Toll Funds previously used for transit operations. As a result of this agreement, new programming and allocation policies were established in MTC Resolution No. 3288, with the Unrestricted State Funds supporting ferry operations and other transit/bicycle projects, and toll revenue transfers limited to ferry capital improvements.

Rail Extension Reserve Fund – The Rail Extension Reserve Fund arises from 90 percent of the 25-cent toll increase on two-axle vehicles crossing the San Francisco-Oakland Bay Bridge as authorized by Regional Measure 1. Section 30914 (a.4) of the Streets and Highway Code changed the calculation to 21 percent of base toll revenues collected on the San Francisco-Oakland Bay Bridge effective January 1, 2004. Rail extension funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. Seventy percent of the Rail Extension Reserves are allocated for East Bay rail improvements and the remaining thirty percent for West Bay rail improvements.

AB 664 Net Toll Revenue Reserve Fund – The AB 664 Net Toll Revenue Reserve Fund arises from a 1977 toll increase on the three southern Bay Area bridges; the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge. The increase consisted of a charge of 25 cents per two-axle vehicle on the San Francisco-Oakland Bay Bridge and 5 cents per two-axle vehicle on the San Mateo-Hayward and Dumbarton Bridges. Section 30884 (a) of the Streets and Highway Code changed the calculation to 16 percent of the base toll revenues collected on the three bridges effective January 1, 2004. These funds are allocated, seventy percent to West Bay and thirty percent to East Bay, to capital projects that further the development of public transit in the vicinity of these three southern bay area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB 664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and capital facility improvement.

Exchange Fund – Exchange Funds are used for MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs.

State Transit Assistance (STA) Fund – State Transit Assistance Funds are used for transit and Paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population-based and revenue-based accounts. PUC Section 99313 defines population-based funds and PUC Section 99314 defines revenue-based funds.

Feeder Bus Fund – Are to reimburse various transit operators for operating the BART Express Bus Program.

iv.) MTC Capital Projects Fund

MTC Capital Projects Fund is used to account for the financial resources used in the acquisition and development of major capital projects. The TransLink® project is the only capital project included in the current fiscal year.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. Statement of Net Assets and Statement of Activities) report information on all non-fiduciary activities of MTC and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

For the year ended June 30, 2002, MTC adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion & Analysis – for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements – Management's Discussion & Analysis – for State and Local Governments: Omnibus*. GASB 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. For the year ended June 30, 2002, MTC also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. For the year ended June 30, 2005, MTC adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 is an amendment to GASB Statement No. 3, which establishes and modifies the disclosure requirements required related to deposit and investment risk such as credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. The implementation of GASB Statement No. 40 had no effect on MTC's assets or changes in net assets.

With respect to the business-type activities of MTC and as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, MTC will continue to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. MTC has elected under GASB Statement No. 20 to not apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC's operations.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or 30 days after to pay liabilities of the current period. The STA Fund utilizes this revenue recognition method.

MTC reports the following governmental funds:

The *general fund* is used to account for those financial resources that are not required to be accounted for in another fund. MTC's general fund is its primary operating fund.

Special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the Transit Reserve Fund, the Rail Extension Reserve Fund, the AB 664 Net Toll Revenue Reserves Fund, the Exchange Fund, the STA Fund and the Feeder Bus Fund.

In fiscal 2004, as a convenience to the reader, management presented all special revenue funds separately in the annual financial report. In fiscal year 2005, management presented the minor special revenue funds as combined. These funds include the Transit Reserve Fund, the Rail Extension Reserve Fund, the Exchange Fund, and the Feeder Bus Fund. Since these funds did not meet the major fund test, management has included them in

Other Governmental Funds. The individual funds are presented in Schedules 4 and 5 for fiscal 2005.

The opening fund balance of the combined minor special revenue funds is as follows:

	Opening Balance 2005
Transit Reserve Fund	$ 2,281,925
Rail Extension Reserve Fund	4,745,661
Exchange Fund	12,239,589
Feeder Bus Fund	21,529
Total	$19,288,704

The *capital projects fund* is used to account for the financial resources used in the acquisition and development of major capital projects. The TransLink® project is the only capital project included in the current fiscal year.

In fiscal 2005, the following funds are considered major governmental funds: MTC General Fund, AB 664 Net Toll Revenue Reserves Fund, STA Fund, and Capital Projects. The balance sheet and statements of revenues, expenditures and changes in fund balances and budget to actual statements of revenues and change in fund balances are presented for these funds.

MTC reports the following major proprietary funds:

The *Bay Area Toll Authority (BATA) fund* is used to account for the activities of BATA with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by the State in the San Francisco Bay Area. BATA is a blended component unit of MTC.

The *MTC Service Authority for Freeways and Expressways (SAFE) fund* is used to account for the activities of MTC SAFE with responsibilities for administering a freeway motorist aid system in the participating counties as well as providing tow truck services to stranded motorists. MTC SAFE is a blended component unit of MTC.

Additionally, MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature and do not have a measurement of results of operations. They are on the accrual basis of accounting.

The *AB 1107 fund* is used to account for the activities of the AB 1107 Program. AB 1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of

San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by the MTC.

The *Transportation Development Act (TDA) Program fund* is used to account for the activities of the TDA Program. In accordance with State regulations and memoranda of understanding with operators and local municipalities, MTC is responsible for the administration of sales tax revenue derived from the TDA.

D. Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that MTC approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life of project budget whenever new capital projects are approved. MTC presents a preliminary budget in May. The final budget is presented in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year-end.

MTC employs the following practices and procedures in establishing budgetary data on a basis consistent with accounting principles generally accepted in the United States of America as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund and special revenue funds.

- Annual budgets are adopted on the accrual basis for the proprietary fund types.

E. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

F. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents. Deposits in the investment pool of the County of Alameda are presented as cash and cash equivalents.

Restricted Cash

Cash is restricted as these assets are either advances used for a specific purpose with the balance being refunded upon project completion or prepaid deposits for the FasTrak™ program.

Restricted Investments

Certain investments are classified as restricted on the Statement of Net Assets because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

G. Capital Assets

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and call boxes, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Depreciation expense for the governmental activities is charged against general government function.

Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimate useful life in excess of three years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	Years
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Leased equipment	5
Automobiles	3
Call boxes	10

H. Net Assets

Net assets represent residual interest in assets after liabilities are deducted. Net assets consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. Restricted net assets consist of amounts restricted for capital expenditures and other purposes as follows:

	2005	2004
Restricted for Capital Projects	$ 46,297,108	$ 51,489,473
Other Purposes:		
RM 2 Program Reserve	82,670,228	-
Debt Covenant - Operating & Maintenance Reserve	125,000,000	125,000,000
Self Insurance Reserve	50,000,000	50,000,000
Long-Term Receivable Restricted for Use by 90% Rail Reserve Fund	56,090,000	47,810,000
Other	2,064,008	17,230,525
Total Other Purposes	$ 315,824,236	$ 240,040,525

I. Retirement Plans

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers in the State.

J. Postretirement Health Benefits

The MTC pays certain health care insurance premiums for retired employees. Employees may become eligible for these benefits if they reach normal retirement age while working for the MTC. The number of participants eligible to receive benefits was 41 for the year ended June 30, 2005. The cost of retiree health care insurance premiums is recognized as an expense as premiums are paid. For the years ended June 30, 2005 and 2004, those costs totaled $268,105 and $217,975, respectively.

K. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers–Milias–Brown Act. A liability exists for accumulated vacation and sick leave. The compensated absences liability totals $2,035,441 and $1,882,451 at June 30, 2005 and 2004, respectively and is included in accrued liabilities. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 400 hours for vacation and 240 hours for sick leave per employee.

L. Maintenance Funding due from Caltrans

In accordance with Amendment No. 2 to the Cooperative Agreement between BATA and Caltrans, Caltrans agreed to reimburse BATA for tow services financed with toll funds from fiscal year 1993 through fiscal year 2001. The reimbursement receivable totals $3,966,913 and $3,966,913 at June 30, 2005 and 2004, respectively. The settlement of the maintenance funding due from the State is to be provided in the form of an offset of capital expenses incurred and to be incurred on the Richmond-San Rafael Bridge Trestle Project and Richmond-San Rafael Bridge Deck project. For the years ended June 30, 2005 and 2004, Caltrans incurred $0 and $13,809,811, respectively in expenses as an offset against the settlement.

M. Deferred Revenue

The deferred revenue in BATA represents the funds collected by the Regional Customer Service Center (RCSC) that are prepayments for tolls or represents a deposit from patrons. The patrons are issued transponders with the prepaid amounts for usage against tolls on the California bridges. Patrons are required to contribute a deposit if they pay by check.

N. Toll Revenues Collected by Caltrans

After toll revenues are collected by Caltrans, BATA accounts for the cash collection from the operation of the bridges and transfers revenues for the seismic retrofit charges to Caltrans. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

O. Operating Expenditures Incurred by Caltrans

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures.

P. Transfers to Caltrans for Capital Expenditures

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge capital expenditures.

Q. Capital Contributed from Caltrans

Caltrans contributed capital to BATA for a compensating cash balance.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. Operating and Non-operating Revenues and Expenses

Operating revenues and expenses are those related to user service activities. While non-operating revenues and expenses are all others revenues and expenses not related to user service activities.

2. UNRESTRICTED ASSET DEFICIT

The unrestricted asset deficit arises from the activities within BATA. BATA was created by Senate Bill 226 to be the financing arm for the Regional Measure 1 program. These bonds, issued by BATA, are Toll Revenue Bonds payable solely from "Pledged Revenues." All future toll revenues received by BATA are pledged to cover debt service payments. The assets (the bridges) are owned and maintained by Caltrans.

3. CASH AND INVESTMENTS

The MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs ... ." This policy affords the MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments may be made within the following approved instrument guidelines:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and savings and loans
- Bankers' acceptances
- Authorized pooled investment programs
- Commercial paper – Rated "A1 or P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"
- Asset backed securities
- Other investment types authorized by state law and not prohibited in the MTC investment policy

A reconciliation of Cash and Investments as shown on the Statement of Net Assets for all funds at June 30, 2005 and 2004 is as follows:

	2005	2004
Cash	$ 257,442,008	$ 185,853,813
Investments	580,789,066	542,981,391
Total cash and investments	$ 838,231,074	$ 728,835,204
Reported as:		
Unrestricted cash and cash equivalents	$ 371,327,129	$ 329,582,159
Unrestricted investments	256,446,692	223,126,891
Total unrestricted cash and investments	627,773,821	552,709,050
Restricted cash and cash equivalents	35,457,253	1,126,154
Restricted investments	175,000,000	175,000,000
Total restricted cash and investments	210,457,253	176,126,154
Total cash and investments	$ 838,231,074	$ 728,835,204

The composition of cash and investments at June 30, 2005 and 2004 is as follows:

	2005	2004
Cash at banks	$ 56,340,509	$ 2,078,019
Money market accounts	167,422,280	146,870,085
County of Alameda	33,679,219	36,905,709
Total cash	257,442,008	185,853,813
Government-sponsored enterprises		
Student Loan Marketing	-	15,009,600
Federal Home Loan Board	251,966,740	230,427,920
Federal Home Loan Mortgage	235,321,430	172,017,860
Federal National Mortgage Association	10,034,400	114,734,300
Tennesse Valley Authority	10,746,900	10,527,100
Federal Farm Credit Board	10,006,300	-
Commercial paper - Corporate	42,444,184	-
Certificates of Deposit	20,000,000	-
Local Agency Investment Fund	269,112	264,611
Total investments	580,789,066	542,981,391
Total cash and investments	$ 838,231,074	$ 728,835,204

At June 30, 2005 and 2004, the MTC's carrying amount of cash in checking and money markets accounts was $257,442,008 and $185,853,813, respectively. The bank balance was $260,397,013 and $179,820,665, respectively, with the difference represented primarily by outstanding checks. Of the bank balances at June 30, 2005 and 2004, $300,000 and $241,056 were insured by federal depository insurance or collateralized by securities held by MTC's agent in MTC's name and an amount of $257,142,008. This is required by Section 53652 of the California Government Code to be collateralized 110 percent by the pledging financial institutions, except promissory notes secured by first trust deeds, or letters of credit issued by the Federal Home Loan Bank of San Francisco which require collateral levels of 150 percent and 105 percent, respectively. Such collateral is not required to be in MTC's name.

The California Government Code requires California banking institutions to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with Title 5, Division 2, Chapter 4, Article 2 of the Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by pledging first trust deed mortgage notes having a value of 150 percent of a governmental unit's total deposits. The MTC may waive collateral requirements for deposits that are fully insured up to $100,000 by the Federal Deposit Insurance Corporation.

MTC holds a position in the investment pool of County of Alameda in the amount of $33,679,219. These funds in the Alameda County pool are not registered with the Securities and Exchange Commission (SEC). The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The fair value in the investment pool of County of Alameda is the same as the fair value of the position in the external investment pool at June 30, 2005. The investment holdings with the County of Alameda account for 4 percent of MTC's investment portfolio. This holding is very liquid and can be liquidated at any time and as such is considered to be cash and cash equivalents.

MTC holds $269,112 in the Local Agency Investment Fund (LAIF). MTC's investment policy allows investment in LAIF as authorized by Government Code section 16429. LAIF is a program created by statute as an investment alternative for California's local governments and special districts. LAIF investments account for 0.03 percent of MTC's investment portfolio.

MTC's portfolio includes two mutual fund investments, Cadre Institutional Investors Trust (Cadre), owned by Public Financial Management and the Highmark 100 percent US Treasury Money Market Fund. The Cadre fund is rated "AAA" by both Standard & Poor's Corporation and Moody's and its fund invests in debt securities issued or guaranteed by the U.S. government or an agency of the U.S. government and repurchase agreements collateralized by U.S. government securities. Investments from both funds are very liquid and can be liquidated at any time and as such are considered to be cash and cash equivalents. The Cadre account also serves as MTC's primary checking account. At June 30, 2005 and 2004, the investment in Cadre was equal to 7 percent and 6 percent. At June 30, 2005 and 2004, the investment in Highmark was equal to 13 percent and 14 percent. The Highmark funds are part of the overnight sweep fund utilized by Union Bank of California (UBOC) custodial accounts and invests exclusively in short-term U.S. Treasury securities guaranteed by the U.S government. This fund is not rated due to the nature of its holdings. State law and MTC policy limit mutual fund investment to 20 percent of the portfolio, with no more than 10 percent of the portfolio in any single fund. Investments in the Highmark fund are not restricted to the 10 percent mutual fund limit as they are part of the overnight sweep fund.

The government-sponsored enterprise (GSE) holdings carry "AAA" ratings and have implicit guarantees from the U.S. government. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio.

MTC holds positions in both commercial paper and certificates of deposit as permitted under MTC's investment policy. Commercial paper must have the highest letter and numerical rating provided by Moody's Investor Services ("A1") or Standard& Poor's Corporation ("P1"). Eligible commercial paper is further limited to issuing corporations organized and operating in the United States and having total assets of $500,000,000 and having an "A" or higher rating for issuer's debt, other than commercial paper, if any, as provided by Moody's or Standard & Poor's. Purchases cannot exceed 180 days maturity, 10 percent of the outstanding commercial paper of a single issuing corporation and 10 percent of the agency's surplus money. As of June 30, 2005, MTC holds $42,444,184 (market value) in commercial paper. The commercial paper investment constitutes 5 percent of MTC's total investment holdings.

Negotiable Certificates of Deposit must be issued by a nationally chartered or state-chartered bank and cannot exceed 10 percent of surplus agency funds. As of June 30, 2005, MTC holds $20,000,000 in negotiable certificates of deposit. The negotiable certificates of deposit constitutes 2 percent of MTC's total investment holdings.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of $50 million. At June 30, 2005, BATA had restricted $125 million as the restricted operations and maintenance reserve and $50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2005.

MTC also has $1,055,366 restricted for costs for the Express Bus purchases funded with the Traffic Relief Program funds. BATA has restricted cash of $34,401,887 for the Fastrak program funded with patron holders funds for the ETC program.

A. <u>Investment Risk Factors</u>

There are many factors that can affect the value of investments. MTC invests substantially in fixed income securities, which are affected by credit risk, custodial credit risk, concentration of credit risk, and interest rate risk.

i.) Credit Risk

Fixed income securities are subject to credit risk, which is the possibility that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investor Services or Standard and Poor's. The lower the rating, the greater the chance (in the rating agency's opinion) that the bond issuer will default, or fail to meet its payment obligations. The credit risk profile of the various fixed income securities are stated above.

ii.) Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. All securities are held in independent safekeeping accounts maintained at Union Bank of California (UBOC) in the name of MTC. All security trades clear through UBOC. All checking and sweep accounts are fully insured or collateralized. As a result, custodial credit risk is remote.

iii.) Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments.

Investments in issuers that represent 10 percent or more of total investment at June 30, 2005 and 2004 are as follows:

	2005	2004
Federal Home Loan Board	43%	42%
Federal Home Loan Mortgage	41%	32%
Federal National Mortgage Association	-	21%

iv.) Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity, measured by duration in years, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. MTC's policy is to buy and hold investments to maturity.

The weighted average maturity of MTC's Government Sponsored Enterprise (GSE) securities (expressed in number of years) at June 30, 2005 and 2004 are as follows:

	2005	2004
Government-sponsored enterprises		
Federal Home Loan Board	1.79	6.96
Federal Home Loan Mortgage	1.76	5.14
Federal National Mortgage Association	7.82	3.36
Tennesse Valley Authority	5.56	6.56
Federal Farm Credit Board	3.31	-
Student Loan Marketing	-	0.16

Commercial paper and certificates of deposits have maturities of less than 1 year. The weighted average maturity for commercial paper is 65 days and the weighted average maturity for certificates of deposits is 25 days. Interest rate risk is considered to be minimal for these types of securities.

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005 is as follows:

Governmental activities

	Beginning Balance July 1, 2004	Additions	Retirements	Ending Balance June 30, 2005
Capital assets, being depreciated:				
Buildings and improvements	$ 4,718,459	$ 3,386,518	$ -	$ 8,104,977
Office furniture and equipment	2,852,128	87,966	-	2,940,094
Leased equipment	83,430	-	-	83,430
Automobiles	176,412	-	-	176,412
Total cash assets being depreciated	7,830,429	3,474,484	-	11,304,913
Less accumulated depreciation for:				
Buildings and improvements	2,252,140	180,856	-	2,432,996
Office furniture and equipment	2,410,808	164,675	-	2,575,483
Leased equipment	49,330	20,082	-	69,412
Automobiles	172,665	3,748	-	176,413
Total accumulated depreciation	4,884,943	369,361	-	5,254,304
Total capital assets, net	$ 2,945,486	$ 3,105,123	$ -	$ 6,050,609

Business-type activities

	Beginning Balance July 1, 2004	Additions	Retirements	Ending Balance June 30, 2005
Capital assets, being depreciated:				
Office furniture and equipment	$ 1,067,868	$ 1,407,992	$ (20,622)	$ 2,455,238
Buildings and improvements	-	2,000,000	-	2,000,000
Call boxes	10,482,078	-	(2,470,552)	8,011,526
Total cash assets being depreciated	11,549,946	3,407,992	(2,491,174)	12,466,764
Less accumulated depreciation for:				
Office furniture and equipment	1,008,322	30,163	(20,622)	1,017,863
Call boxes	8,800,696	257,902	(2,360,009)	6,698,589
Total accumulated depreciation	9,809,018	288,065	(2,380,631)	7,716,452
Total capital assets, net	$ 1,740,928	$ 3,119,927	$ (110,543)	$ 4,750,312

A summary of changes in capital assets for the year ended June 30, 2004 is as follows:

Governmental activities

	Beginning Balance July 1, 2003	Additions	Retirements	Ending Balance June 30, 2004
Capital assets, being depreciated:				
Buildings and improvements	$ 4,718,459	$ -	$ -	$ 4,718,459
Office furniture and equipment	2,686,117	166,011	-	2,852,128
Leased equipment	83,430	-	-	83,430
Automobiles	176,412	-	-	176,412
Total cash assets being depreciated	7,664,418	166,011	-	7,830,429
Less accumulated depreciation for:				
Buildings and improvements	2,075,796	176,344	-	2,252,140
Office furniture and equipment	2,249,698	161,110	-	2,410,808
Leased equipment	31,248	18,082	-	49,330
Automobiles	162,078	10,587	-	172,665
Total accumulated depreciation	4,518,820	366,123	-	4,884,943
Total capital assets, net	$ 3,145,598	$ (200,112)	$ -	$ 2,945,486

Business-type activities

	Beginning Balance July 1, 2003	Additions	Retirements	Ending Balance June 30, 2004
Capital assets, being depreciated:				
Office furniture and equipment	$ 1,052,470	$ 15,398	$ -	$ 1,067,868
Callboxes	10,482,078	-	-	10,482,078
Total cash assets being depreciated	11,534,548	15,398	-	11,549,946
Less accumulated depreciation for:				
Office furniture and equipment	960,986	47,336	-	1,008,322
Call boxes	8,436,558	364,138	-	8,800,696
Total accumulated depreciation	9,397,544	411,474	-	9,809,018
Total capital assets, net	$ 2,137,004	$ (396,076)	$ -	$ 1,740,928

5. LONG-TERM DEBT

General Revenue Bonds were issued during May 2001, February 2003 and October 2004 to (i) finance the cost of the design and construction of eligible projects, including capital improvements and Regional Measure I projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the Series 2001, 2003, and 2004 General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001, 2003 and 2004 General Revenue Bonds.

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	$ 150,000,000	$ 150,000,000	$ -	$ -	$ 150,000,000	-
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	100,000,000	5,785,000
2003 Revenue Bond Series A	2/12/2003	4.139% ***	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.139% ***	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series C	2/12/2003	1.82%-4.139% ****	2038	150,000,000	150,000,000	-	-	150,000,000	-
2004 Revenue Bond Series A	10/5/2004	3.416% *****	2039	75,000,000	-	75,000,000	-	75,000,000	
2004 Revenue Bond Series B	10/5/2004	3.416% *****	2039	150,000,000	-	150,000,000	-	150,000,000	
2004 Revenue Bond Series C	10/5/2004	3.416% *****	2039	75,000,000	-	75,000,000	-	75,000,000	
				$1,000,000,000	$ 700,000,000	$ 300,000,000	$ -	$ 1,000,000,000	$ 5,785,000
Unamortized bond premium					1,160,994	-	83,925	1,077,069	
Net long-term debt as June 30, 2005					$ 701,160,994	$ 300,000,000	$ 83,925	$ 1,001,077,069	

* 2001 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

** 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, or a true interest cost of 4.83%.

*** 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap descritpion within this footnote.

**** Of the $150,000,000 2003 Series C Revenue bonds, $50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. The remaining $100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 1.82% as of June 30, 2005.

***** 2004 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed rate swap transaction in place. Refer to interest rate swap description within this footnote.

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2003	Additions	Reductions	Ending Balance June 30, 2004	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	$ 150,000,000	$ 150,000,000	$ -	$ -	$ 150,000,000	$ -
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	100,000,000	-
2003 Revenue Bond Series A	2/12/2003	4.139% ***	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.139% ***	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series C	2/12/2003	1.05%-4.139% ****	2038	150,000,000	150,000,000	-	-	150,000,000	-
				$ 700,000,000	700,000,000	-	-	700,000,000	$ -
Unamortized bond premium					1,244,921	-	83,927	$ 1,160,994	
Net long-term debt as June 30, 2004					$ 701,244,921	$ -	$ 83,927	$ 701,160,994	

* 2001 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

** 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, or a true interest cost of 4.83%.

*** 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote.

**** Of the $150,000,000 2003 Series C Revenue bonds, $50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. The remaining $100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 1.05% as of June 30, 2004.

Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2005 are as follows:

Business-type activities

Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2006	$ 5,785,000	$ 30,142,125	$ 35,927,125
2007	6,015,000	39,957,004	45,972,004
2008	15,805,000	39,715,264	55,520,264
2009	16,585,000	39,080,069	55,665,069
2010-2019	211,930,000	348,915,393	560,845,393
2020-2024	146,640,000	138,207,672	284,847,672
2025-2029	182,945,000	105,959,416	288,904,416
2030-2034	228,325,000	65,717,669	294,042,669
2035-2039	185,970,000	18,610,753	204,580,753
	$ 1,000,000,000	$ 826,305,365	$ 1,826,305,365

Toll Revenue Bonds

The 2001 Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from "Pledged Revenues." The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument.

BATA has covenanted to maintain bridge toll rates sufficient to meet operations, maintenance and debt service costs. In addition, BATA will seek authority from the state Legislature if net toll revenue is less than 1.0 times "fixed charges" as defined by the Master Indenture, or the sum of net toll revenue and amounts in the operations and maintenance reserve is less than 1.25 times fixed charges (see detail in Schedule 8).

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150 percent of the combined maximum annual debt service, including the 2001 bonds and additional bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of $50 million. At June 30, 2005, BATA had restricted $125 million as the restricted operations and maintenance reserve and $50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2005.

The bonds issued by BATA are secured by a first lien on all revenues and are not an obligation of the MTC primary government or any component unit other than BATA.

Interest Rate and Forward Interest Rate Swap Agreements

In January 2002, BATA completed a floating-to-fixed rate swap transaction with a notional value of $300 million. Counterparties to the transaction are Ambac for $150 million, Citigroup for $75 million and Morgan Stanley for $75 million. During the 35-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09 percent to 4.12 percent while receiving a floating rate payment equivalent to the actual floating rate payment in years 1 through 4 and a floating rate payment based on 65 percent of the one-month LIBOR index in years 5 through 35. The variable rate bonds associated with this swap were issued as part of BATA's 2001 $300 million Toll Bridge Revenue Bond issue.

In May 2002, BATA approved a forward contract with Ambac to swap variable-to-fixed rate bonds in a notional amount of $200 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139 percent. In exchange, BATA will receive a variable rate payment based on 65percent of the one-month LIBOR rate for the life of the 2003 financing. The variable rate bonds associated with this swap ($75 million for Series A, $75 million for Series B, and $50 million for Series C) were issued as part of BATA's 2003 $300 million Toll Bridge Revenue Bond issue.

In August 2004, BATA approved a forward contract with Ambac to swap variable-to-fixed rate bonds in a notional amount of $300 million. The contract calls for BATA to pay Ambac a fixed rate of 3.416 percent. In exchange, BATA will receive a variable rate based on 54 percent of the one-month LIBOR rate and 54 basis points for the life of the 2004 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2004 $300 million Toll Bridge Revenue Bond issue.

BATA entered into these transactions as a means of controlling long-term debt costs while maintaining a hedge against increases in short-term rates. BATA is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts address credit risk by requiring the counterparties to post collateral if two triggering mechanisms are reached: counterparty credit ratings fall below "AA-" or "Aa3" from Standard & Poor's and Moody's respectively; and the swap carries a positive fair value in excess of $10 million.

As of June 30, 2005, Morgan Stanley had a long term rating of "A+" from Standard & Poor's which falls below the "AA-" threshold. However, no collateral is required because the fair value of the swap does not exceed $10 million. The ratings for Ambac and Citigroup are "AAA/Aaa" and "AA-/Aa1" from Standard & Poor's and Moody's respectively.

Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or to the counterparty. At June 30, 2005 the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2005 as follows:

Notional Value	Counterparty	Fixed Rate	Value due from / (to) counterparty
$ 75 million	Ambac	4.110%	$ (10,616,922)
$ 75 million	Ambac	4.120%	(12,260,438)
$ 75 million	Morgan Stanley	4.090%	(13,324,987)
$ 75 million	Citigroup	4.100%	(13,445,364)
$ 200 million	Ambac	4.139%	(31,469,050)
$ 300 million	Ambac	3.416%	(16,744,300)
			$ (97,861,061)

The termination value, if BATA terminated or defaulted on all swaps is approximately $97.9 million.

BATA's intent, however, is to maintain the swap transactions for the 35-year life of the financing. In accordance with Governmental Accounting Standards Board Statement No. 20, BATA has not adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has not recorded the termination value due to the counterparties. A complete summary of swap values and terms is contained in Schedule 20.

The schedule below shows the total interest cost of the swap payments. The total cost is determined by taking the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, plus any associated administrative costs associated with the swap and variable rate obligation. The counterparty fixed rate payment is 4.105 percent and 4.139 percent for the 2001 and 2003 swap transactions, respectively. The counterparty fixed rate payment is 3.416 percent for the 2004 swap transaction. The total cost is 4.521 percent for the 2001 swap, 4.555 percent for the 2003 swap, and 3.634 percent for the 2004 swap.

As of June 30, 2005, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C are as follows:

Payment Date	Principal Payment	Interest (Variable)**	Interest Rate Swaps, Net***	Interest Remarketing and Liquidity****	Total Payment
4/1/2006 *	$ -	$ 6,414,000	$ 6,248,063	$ 900,000	$ 13,562,063
4/1/2007	-	6,414,000	6,248,063	900,000	13,562,063
4/1/2008	-	6,414,000	6,248,063	900,000	13,562,063
4/1/2009	-	6,414,000	6,248,063	900,000	13,562,063
4/2/2010	-	6,414,000	6,248,063	900,000	13,562,063
4/1/2011-2036	300,000,000	120,578,924	117,459,410	16,919,400	554,957,734
	$ 300,000,000	$ 152,648,924	$ 148,699,725	$ 21,419,400	$ 622,768,049

As of June 30, 2005, debt service requirements of the variable rate debt and net swap payments for 2003 Series A, B and C are as follows:

Payment Date	Principal Payment	Interest (Variable)**	Interest Rate Swaps, Net***	Interest Remarketing and Liquidity****	Total Payment
4/1/2006	$ -	$ 4,276,000	$ 4,233,375	$ 600,000	$ 9,109,375
4/1/2007	-	4,276,000	4,233,375	600,000	9,109,375
4/1/2008	3,000,000	4,276,000	4,233,375	600,000	12,109,375
4/1/2009	3,200,000	4,211,860	4,169,874	591,000	12,172,734
4/1/2010	3,300,000	4,143,444	4,102,140	581,400	12,126,984
4/1/2011-2038	190,500,000	70,678,004	69,973,455	9,917,400	341,068,859
	$ 200,000,000	$ 91,861,308	$ 90,945,594	$ 12,889,800	$ 395,696,702

As of June 30, 2005, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C are as follows:

Payment Date	Principal Payment	Interest (Variable)**	Interest Rate Swaps, Net***	Interest Remarketing and Liquidity****	Total Payment
4/1/2006	$ -	$ 6,414,000	$ 3,586,275	$ 900,000	$ 10,900,275
4/1/2007	-	6,414,000	3,586,275	900,000	10,900,275
4/1/2008	4,980,000	6,414,000	3,586,275	900,000	15,880,275
4/1/2009	5,215,000	6,307,528	3,526,743	885,060	15,934,331
4/1/2010	5,385,000	6,196,031	3,464,401	869,415	15,914,847
4/1/2011-2039	284,420,000	106,595,655	59,601,082	14,957,295	465,574,032
	$ 300,000,000	$ 138,341,214	$ 77,351,051	$ 19,411,770	$ 535,104,035

*	Series 2001 Bonds	Series 2003 Bonds	Series 2004 Bonds
Interest Rate Swap			
Fixed payment to cp	4.105%	4.139%	3.416%
65% LIBOR	-2.022%	-2.022%	-2.220%
Net interest rate swap payments***	2.083%	2.117%	1.196%
Variable Rate bond coupon pmts**	2.138%	2.138%	2.138%
Synthetic interest rate on bonds	4.221%	4.255%	3.334%
Remarketing/liquidity fee****	0.300%	0.300%	0.300%
Total Cost	4.521%	4.555%	3.634%

*For Series 2001 Bonds, the above rate calculation takes effect as of April 1, 2006.

For further swap details, refer to Schedule 20, Schedule of Interest Rate Swap – BATA Proprietary Fund.

6. LEASES

Capital Leases

The MTC leases copier equipment under capital leases expiring in MTC's fiscal year end 2007. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

Governmental Activities

Year Ending June 30	Amount
2006	$ 9,968
2007	7,350
Total	17,318
Less interest amounts	(1,342)
Present value of net minimum lease payments	$ 15,976

Operating Leases

MTC conducts some of its operations from office space that is leased under a six-year operating lease which commenced on May 5, 1999. Monthly rent under this lease for the year ended June 30, 2005 and 2004 was $30,088 and $30,088, respectively.

Future minimum rental payments required under the above operating leases as of June 30, 2005 are as follows:

Governmental Activities

Year Ending June 30	Amount
2006	$ 30,088
Total	$ 30,088

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2005 is as follows:

	Transfer to:				
Transfer from:	General	AB 664 Net Toll Revenue Reserve	Other Governmental Funds	Capital Projects	Total
Exchange	$ -	$ -	$ -	$ 1,262,556	$ 1,262,556
STA	1,033,921	-	-	3,846	1,037,767
BATA	3,287,873	11,913,310	10,839,709	-	26,040,893
SAFE	1,033,516	-	-	-	1,033,516
Total	$ 5,355,310	$ 11,913,310	$ 10,839,709	$ 1,266,402	$ 29,374,732

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	BATA	$ 390,850
General	STA	$ 52,807
Capital Projects	Exchange	$ 188,708
SAFE	General	$ 1,950,911

The composition of interfund balances as of June 30, 2004 is as follows:

	Transfer to:				
Transfer from:	General	AB 664 Net Toll Revenue Reserve	5% Transit Transfers	90% Regional Rail	Total
Exchange	$ 809,352	$ -	$ -	$ -	$ 809,352
STA	2,462,271	-	-	-	2,462,271
BATA	1,851,507	12,292,116	989,075	10,030,620	25,163,318
SAFE	1,134,421	-	-	-	1,134,421
Total	$ 6,257,551	$ 12,292,116	$ 989,075	$ 10,030,620	$ 29,569,362

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	BATA	$ 571,892
General	STA	$ 45,096
General	Exchange	$ 361,491

Transfers are used to move revenues from the fund with collection authority to the program fund that accounts for the various grant programs based on both budgetary and matching fund requirements.

Outstanding receivables and payables between funds are due to timing differences resulting from when expenditures are incurred and reimbursement payments are made.

8. EMPLOYEES' RETIREMENT PLAN AND POSTRETIREMENT BENEFITS

Plan Description

MTC's defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Members in the Plan are required to contribute 7 percent of their annual covered salary, which is established by California state statute. However, due to a collective bargaining agreement, MTC has a legal obligation to contribute this 7 percent on behalf of the covered employees. Therefore, employees have no obligation to contribute to the Plan. MTC is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration.

Annual Pension Cost

For the year ended June 30, 2004, because of previously determined actuarial surplus, MTC was not required to make actual cash transfers to PERS. The employer amounts due were deducted from the surplus. The required contribution for the year ended June 30, 2005 was $1,190,870 determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a three-year period depending on the size of investment gains and/or losses.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2003	-	100%
6/30/2004	-	100%
6/30/2005	$ 1,190,870	100%

The MTC's funding progress information as of June 30, 2003 is illustrated as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets over AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
June 30, 2001	$ 45,552,447	$ 32,924,078	$ 12,628,369	138.4%	$ 9,035,190	139.8%
June 30, 2002	43,102,147	36,565,796	6,536,351	117.9%	10,346,350	63.2%
June 30, 2003	43,680,162	44,901,919	(1,221,757)	97.3%	11,177,301	10.9%

The latest available actuarial valuation was as of June 30, 2003 showing an underfunded status.

9. COMMITMENTS AND CONTINGENCIES

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that is considered normal to the MTC's regional planning activities. MTC has established a $1.4 million reserve for use for such contingencies. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

Commitment and Loan to Bay Area Rapid Transit District

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). On September 1, 1999, the Parties agreed to provide a total of $198.5 million to the Project, with BART providing $50 million, Samtrans providing $72 million, and MTC providing $76.5 million.

The MTC's commitment included a $60 million loan (the Loan) for the Project's cash flow requirements and $16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed $11.8 million, for a total commitment of $88.3 million.

To fund the Loan, MTC has agreed to advance $60 million from the East Bay Rail Extension Reserve Account (the East Bay Account) for Project cash flows. BART will repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to BART's full funding grant agreement with the U.S. Department of Transportation (the FTA grant). MTC further agrees to allocate $16.5 million to BART from the West Bay Rail Extension Reserve Account (the West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to $11.8 million.

On September 1, 1999, the San Francisco Bay Area Transit Financing Authority (the Authority), a joint powers agency, created pursuant to a joint exercise of powers agreement between BART and MTC, issued $65,650,000 in Bridge Toll Notes (the Notes). The Notes are limited obligations of the Authority, payable from and collateralized solely by a pledge of bridge toll revenues, from the East Bay Account, allocated to BART by MTC. The Notes are insured by ACA Capital and are to be paid in semi-annual installments until February 1, 2007 at interest rates ranging from 4.25 percent to 5.75 percent. Financial statements of the Authority can be obtained from BART, 300 Lakeside Drive, Oakland, California 94604.

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC has acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU; however, such repayment will be made from the general resources of BART and subject to the prior pledge in favor of the Bonds.

The following schedule provides a summary of MTC's remaining bridge toll allocation commitment to BART:

Governmental Activities

Year Ending June 30	Regional Measure I East Bay	Regional Measure I West Bay	Total
2006	$ 7,000,000	$ 3,000,000	$ 10,000,000
2007	301,000	3,000,000	3,301,000
Total	$ 7,301,000	$ 6,000,000	$ 13,301,000

During the year ended June 30, 2005, MTC paid $10,000,000 to BART increasing the total loan made to BART to $56,090,000.

10. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

11. SUBSEQUENT EVENT

On July 16, 2005 the California State Legislature approved Assembly Bill (AB) 144, which transferred toll administration responsibility from Caltrans to BATA. This transfer of responsibility includes:

- Consolidation of all toll revenue dollars, including the state seismic toll dollar for the seven bridges, under BATA administration.
- Creation of a new Caltrans, California Transportation Commission, and BATA Toll Bridge Project Oversight Board.
- Unlimited project-level toll-setting authority to complete the Seismic Retrofit program and BATA's responsibilities under the "Act."

AB 144 was signed into law on July 18, 2005 and will subsequently affect many of the financial and covenant footnotes contained in the financial statements. Areas to be impacted are:

Reference	Change
Note 1.A.i. Note 1.N.	BATA will no longer transfer seismic toll revenue to Caltrans
Note 5 under "Toll Revenue Bonds"	BATA will apply to MTC rather than the state to meet toll rate coverage requirements

In addition, BATA approved a financing plan of $6.2 billion in September 2005 to fund the new seismic retrofit and other toll projects.

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Supplementary
Information

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SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Schedule of Expenditures – Governmental General Fund
For the Year Ended June 30, 2005 — Schedule 1

Expenditures by natural classification:	
Salaries & benefits	$ 13,391,311
Travel	254,839
Professional fees	22,359,663
Overhead	2,081,179
Printing & Reproduction	298,472
Other	629,662
Reported as general government expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	$ 39,015,126
Salaries & benefits - SAFE	$ 820,854
Salaries & benefits - BATA	1,403,665
Total for SAFE and BATA	$ 2,224,519

Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefit Expense - Governmental General Fund
For the Year Ended June 30, 2005

Schedule 2

	Direct Costs	Indirect Costs	Total
Salaries	$ 8,701,762	$ 1,712,622	$ 10,414,384
Benefits	4,455,458	745,989	5,201,447
TOTAL SALARIES AND BENEFITS	$ 13,157,219 *	$ 2,458,611	$ 15,615,830
Reimbursable overhead:			
Printing and reprographics		$ 84,184	$ 84,184
Computer services		481,583	481,583
Conference and training		45,636	45,636
Auto expense		7,230	7,230
Travel expense/local mileage		40,586	40,586
Transit tickets		6,586	6,586
Meeting room/office rent		202,906	202,906
Office supplies		54,017	54,017
Equipment rental		2,390	2,390
Equipment maintenance and repair		334	334
Mailing and postage		90,561	90,561
Communications		104,721	104,721
Insurance		80,211	80,211
Subscriptions		19,331	19,331
Library acquisitions		7,628	7,628
Personnel recruitment		49,998	49,998
Public hearings		22,694	22,694
County auditor		13,221	13,221
Press clippings		-	-
Provide graphic services		629	629
Law library		16,554	16,554
Parking		20,754	20,754
RAFC maintenance - Third floor		2,940	2,940
Janitorial services		46,676	46,676
Newswire services		3,185	3,185
Utilities		64,228	64,228
Storage rental		15,930	15,930
Advertisement/legal notices		3,748	3,748
Advisory committees		26,924	26,924
Miscellaneous		5,742	5,742
Audio reproduction/supply		1,599	1,599
Equipment less than $5,000 in cost		4,653	4,653
Memberships		60,820	60,820
Subtotal		1,588,197	1,588,197
Under absorbed for year ended June 30, 2005		(246,706)	(246,706)
Carryforward provision		739,687	739,687
Total indirect costs excluding depreciation expense		2,081,179	2,081,179
Depreciation expense		369,361	369,361
Total indirect costs		$ 2,450,539	$ 2,450,539

*This includes SAFE and BATA.

Metropolitan Transportation Commission
Schedule of Expenditures - Federal Highway Administration Grant No. 050WPMTCM
For the Year Ended June 30, 2005

Schedule 3

		ABAG	MTC	Total
Authorized expenditures				
Federal		$ 743,266	$ 4,321,600	$ 5,064,866
Local Match		96,298	559,909	656,207
Total authorized expenditures		839,564	4,881,509	5,721,073
Actual Expenditures *				
ABAG		743,266	-	743,266
MTC				
Program No.	*Program Name*			
1111	Support the Commission		200,000	200,000
1112	Implement Public Information Program		550,000	550,000
1121	Develop and Produce the RTP		546,006	546,006
1122	Travel Models and Data		350,000	350,000
1154	Graphics		-	-
1155	Computer Support		176,017	176,017
1156	Library Services		-	-
1212	Develop MTS Performance Measures		132,185	132,185
1213	Freeway Management Program		130,194	130,194
1221	Implement TransLink		200,000	200,000
1223	Regional Marketing Program		100,000	100,000
1224	Traveler Information Services		-	-
1225	Transit Trip Planning		76,492	76,492
1226	Bicycle Information System		33,345	33,345
1227	Coordination Projects		116,655	116,655
1229	Regional Emergency Response Plan		75,000	75,000
1233	Improve Pavement Management Program (PMP)		280,000	280,000
1234	Arterial Operations Coordination		69,430	69,430
1511	Financial Analysis and Planning		200,000	200,000
1512	Federal Programming, Monitoring and TIP Development		330,633	330,633
1515	State Programming and Project Monitoring		321,822	321,822
Total Expenditures		743,266	3,887,779	4,631,045
Balance of Federal Highway Administration Grant		$ -	$ 433,821	$ 433,821

* Expenditures reported at federal reimbursement rate (88.53%)

Metropolitan Transportation Commission
Balance Sheet – Other Governmental Funds
For the Year Ended June 30, 2005

Schedule 4

	Rail Reserves	Transit Reserves	Exchange	Feeder Bus	Total Other Funds
Assets					
Cash and cash equivalents - unrestricted	$ 4,879,627	$ 1,255,125	$ 11,307,325	$ 43,105	$ 17,485,182
Interest receivable	$ 687	-	-	-	$ 687
Total assets	$ 4,880,314	$ 1,255,125	$ 11,307,325	$ 43,105	$ 17,485,869
Liabilities and fund balances					
Liabilities					
Accounts Payable	$ 48,373	$ 414,804	$ -	$ -	$ 463,177
Due to other funds	-	-	188,708	-	188,708
Total liabilities	48,373	414,804	188,708	-	651,885
Fund balances					
Reserved for					
Encumbrances	1,217,010	598,818	6,679,000	122	8,494,950
Unreserved, reported in					
Special revenue funds	3,614,931	241,503	4,439,617	42,983	8,339,034
Total fund balances	4,831,941	840,321	11,118,617	43,105	16,833,984
Total liabilities and fund balances	$ 4,880,314	$ 1,255,125	$ 11,307,325	$ 43,105	$ 17,485,869

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Fund Net Assets – Other Governmental Funds
For the Year Ended June 30, 2005

Schedule 5

	Rail Reserves	Transit Reserves	Exchange	Feeder Bus	Total Other Funds
Revenues					
Grants - State	$ -	$ 2,877,999	$ -	$ -	$ 2,877,999
Project grants from local agencies	-	-	-	2,500,000	2,500,000
Investment income	251,199	54,571	232,758	21,454	559,982
Total revenues	251,199	2,932,570	232,758	2,521,454	5,937,981
Expenditures					
Current:					
General government	456	-	-	-	456
Allocations to other agencies	10,067,184	5,311,162	91,174	2,499,878	17,969,398
Total expenditures	10,067,640	5,311,162	91,174	2,499,878	17,969,854
Excess / (deficiency) of revenues over / (under) expenditures	(9,816,441)	(2,378,592)	141,584	21,576	(12,031,873)
Other financing sources / uses					
Transfers in	9,902,721	936,988	-	-	10,839,709
Transfers out	-	-	(1,262,556)	-	(1,262,556)
Total other financing sources and uses	9,902,721	936,988	(1,262,556)	-	9,577,153
Net change in fund balances	86,280	(1,441,604)	(1,120,972)	21,576	(2,454,720)
Fund balances - beginning	4,745,661	2,281,925	12,239,589	21,529	19,288,704
Fund balances - ending	$ 4,831,941	$ 840,321	$ 11,118,617	$ 43,105	$ 16,833,984

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Fund Net Assets – SAFE Proprietary Fund – By Program
For the Year Ended June 30, 2005

Schedule 6

	Callbox Program	Freeway Service Patrol Program	Capital Projects	Total
Operating revenues				
Department of Motor Vehicles registration fees	$ 5,895,417	$ -	$ -	$ 5,895,417
Total operating revenues	5,895,417	-	-	5,895,417
Operating expenses				
Towing contracts	-	7,579,203	-	7,579,203
Professional fees	623,119	278,370	190,296	1,091,785
Salaries and benefits	382,001	438,853	-	820,854
Repairs and maintenance	908,525	62,794	-	971,319
Communications charges	279,784	73,314	-	353,098
Depreciation and amortization	258,365	27,829	-	286,194
Other operating expenses	289,037	397,432	-	686,469
Total operating expenses	2,740,831	8,857,795	190,296	11,788,922
Operating income / (loss)	3,154,586	(8,857,795)	(190,296)	(5,893,505)
Unrestricted non-operating revenues / (expenses)				
Investment income	511,612	-	-	511,612
Other non-operating revenues	(80,267)	-	-	(80,267)
Caltrans/other agency operating grants	-	6,457,277	-	6,457,277
Federal operating grants	-	-	92,275	92,275
Total non-operating revenues, net	431,345	6,457,277	92,275	6,980,897
Income / (loss) before operating and capital transfers	3,585,931	(2,400,518)	(98,021)	1,087,392
Transfers to Metropolitan Transportation Commission	(926,791)	(106,725)	-	(1,033,516)
Transfers between programs	(2,605,264)	2,507,243	98,021	-
Capital contributions between programs	396,578	-	-	396,578
Change in net assets	450,454	-	-	450,454
Total net assets - beginning	26,804,416	-	-	26,804,416
Total net assets - ending	$27,254,870	-	-	$27,254,870

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Fund Net Assets – SAFE Proprietary Fund – Call Box Program – By County
For the Year Ended June 30, 2005

Schedule 7

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
Revenues										
Department of Motor Vehicles registration fees	$ 1,223,596	$ 871,174	$ 231,378	$ 126,214	$ 482,664	$ 693,078	$ 1,447,846	$ 359,951	$ 459,516	$ 5,895,417
Investment earnings and other revenues	89,526	63,740	16,929	9,235	35,315	50,710	105,933	26,336	33,621	431,345
Total Revenues	1,313,122	934,914	248,307	135,449	517,979	743,788	1,553,779	386,287	493,137	6,326,762
Expenses	495,396	425,653	106,927	83,326	50,263	401,080	683,736	252,109	242,341	2,740,831
Income before operating and capital transfers	817,726	509,261	141,380	52,123	467,716	342,708	870,043	134,178	250,796	3,585,931
Interfund transfers	(758,140)	(459,452)	(258,898)	(38,678)	(131,209)	(371,478)	(840,423)	(117,120)	(160,079)	(3,135,477)
Change in net assets	59,586	49,809	(117,518)	13,445	336,507	(28,770)	29,620	17,058	90,717	450,454
Total net assets - beginning	5,726,327	3,360,124	(128,966)	(48,056)	4,195,463	3,182,389	8,120,554	(168,805)	2,565,386	26,804,416
Total net assets - ending	$ 5,785,913	$ 3,409,933	$ (246,484)	$ (34,611)	$ 4,531,970	$ 3,153,619	$ 8,150,174	$ (151,747)	$ 2,656,103	$ 27,254,870

Metropolitan Transportation Commission
Schedule of Computations Demonstrating Bond Covenant Compliance – BATA Proprietary Fund
For the Year Ended June 30, 2005

Schedule 8

	2005	2004
Revenue		
Tolls	$ 248,140,901	$ 145,176,202
Investment Income	21,234,931	11,007,091
Other	4,090,014	2,399,717
Total revenue	273,465,846	158,583,010
Operating expenses		
Operating expenses	37,582,215	44,456,244
Services and charges	16,453,104	3,394,826
Depreciation	336,572	177,274
Total operating expenses	54,371,891	48,028,344
Net operating income	219,093,955	110,554,666
Debt service	35,373,668	26,663,420
Income before operating transfers	183,720,287	83,891,246
Operating transfers		
Metropolitan Transportation Commission administrative transfers	3,287,873	1,851,507
Metropolitan Transportation Commission transit transfers		
AB 664 expenses	11,913,310	12,292,116
90% rail expenses	9,902,721	10,030,620
5% transit expenses	936,988	989,075
Transfers to Regional Measure 2 operators	6,817,635	-
Total operating transfers	32,858,527	25,163,318
Net income before capital transfers	150,861,760	58,727,928
Capital project transfers		
Regional Measure 1 transfers	309,445,814	362,130,328
Bridge rehabilitation transfers	10,996,642	11,200,785
Regional Measure 2 transfers	13,261,028	-
Transfers to other agencies	3,832,972	3,976,719
Total capital transfers	337,536,456	377,307,832
Net loss before capital contribution	(186,674,696)	(318,579,904)
Capital contribution	-	2,397,067
Change in net assets	(186,674,696)	(316,182,837)
Total net assets - beginning	(170,317,550)	145,865,287
Total net assets / (deficit) - ending	$ (356,992,246)	$ (170,317,550)

	2005	2004
Net operating income	$ 219,093,955	$ 110,554,666
Debt service	$ 35,373,668	$ 26,663,420
Debt service coverage[1]	6.19	4.15
Debt service coverage - bond covenant requirement	1.00	1.00
Total revenue	$ 273,465,846	$ 158,583,010
Fixed charges[2]	$ 122,604,086	$ 99,855,082
Fixed charge coverage	2.23	1.59
Fixed charge coverage - bond covenant requirement	1.00	1.00
Total revenue plus operations & maintenance reserve	$ 398,465,846	$ 283,583,010
Fixed charges[2]	$ 122,604,086	$ 99,855,082
Fixed charge coverage	3.25	2.84
Fixed charge coverage - bond covenant requirement	1.25	1.25
Self insurance reserve	$ 50,000,000	$ 50,000,000
Self insurance reserve - bond covenant requirement	$ 50,000,000	$ 50,000,000
Operations & maintenance reserve	$ 125,000,000	$ 125,000,000
Operations & maintenance reserve - bond coverage requirement	$ 108,743,782	$ 96,056,688

[1]Based on debt outstanding from May 24, 2001, February 14, 2003 and October 5, 2004.
[2]Fixed charges comprises operating expenses, debt service and operating transfers.

Metropolitan Transportation Commission
Schedule of Operating Revenues and Expenses – BATA Proprietary Fund – by Bridge
For the Year Ended June 30, 2005

Schedule 9

	Carquinez Bridge	Benicia-Martinez Bridge	Antioch Bridge	Richmond-San Rafael Bridge	San Francisco Oakland Bay Bridges	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
Operating revenues								
Toll revenues collected by Caltrans	$ 46,458,835	$ 36,529,638	$ 5,850,611	$ 24,492,701	$ 85,879,816	$ 30,369,927	$ 18,559,373	$ 248,140,901
Other operating revenues	461,764	366,367	60,683	246,726	810,294	315,054	169,005	2,429,893
Total operating revenues	46,920,599	36,896,005	5,911,294	24,739,427	86,690,110	30,684,981	18,728,378	250,570,794
Operating expenses								
Operating expenditures incurred by Caltrans	6,644,529	5,943,735	1,650,324	4,351,332	17,069,841	5,130,368	3,609,720	44,399,849
Services and charges	2,881,421	2,263,810	333,916	1,565,389	6,000,705	2,063,727	1,344,136	16,453,104
Depreciation	58,951	46,325	6,829	32,009	122,716	42,235	27,508	336,573
Total operating expenses	9,584,901	8,253,870	1,991,069	5,948,730	23,193,262	7,236,330	4,981,364	61,189,526
Operating income	$ 37,335,698	$ 28,642,135	$ 3,920,225	$ 18,790,697	$ 63,496,848	$ 23,448,651	$ 13,747,014	$ 189,381,268

Metropolitan Transportation Commission
Schedule of Paid and Free Vehicles – by Bridge (in Number of Vehicles)
For the Year Ended June 30, 2005

Schedule 10

	San Francisco-Oakland Bay Bridge	San Mateo-Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia-Martinez Bridge	Antioch Bridge	Richmond-San Rafael Bridge	Toll Traffic Total
Autos, Trucks, Buses & Trailers								
2-Axle	42,704,737	14,376,249	9,134,192	20,397,277	16,407,646	2,276,893	11,335,303	116,632,297
3-Axle	129,143	92,263	40,815	137,365	146,537	42,676	78,359	667,158
4-Axle	87,746	67,840	22,381	115,805	124,512	30,871	61,127	510,282
5-Axle	426,533	251,084	97,015	673,776	424,865	120,222	279,185	2,272,680
6-Axle	7,205	2,586	1,971	17,492	10,725	1,541	4,082	45,602
7-Axle & More	1,833	(602)	1,194	2,510	2,027	64	168	7,194
Subtotal - Paid Vehicles	43,357,197	14,789,420	9,297,568	21,344,225	17,116,312	2,472,267	11,758,224	120,135,213
Free Vehicles	4,735,720	1,762,480	1,482,411	1,758,999	1,145,367	204,002	786,011	11,874,990
Total Vehicles	48,092,917	16,551,900	10,779,979	23,103,224	18,261,679	2,676,269	12,544,235	132,010,203

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Carquinez Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2005

Schedule 11

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,814,909	83,304	1,898,213	171,232	2,069,445	$ 3,179,763	$ 664,765	$ 3,844,528
August	1,831,369	86,159	1,917,528	145,921	2,063,449	3,137,197	691,638	3,828,835
September	1,699,624	82,625	1,782,249	123,766	1,906,015	2,890,122	672,043	3,562,165
October	1,705,729	81,310	1,787,039	134,301	1,921,340	2,892,951	665,019	3,557,970
November	1,609,787	76,267	1,686,054	153,082	1,839,136	3,181,592	624,736	3,806,328
December	1,634,439	78,219	1,712,658	169,385	1,882,043	3,249,782	640,639	3,890,421
January	1,584,593	69,084	1,653,677	154,635	1,808,312	3,167,123	568,522	3,735,645
February	1,518,753	66,882	1,585,635	136,320	1,721,955	3,036,412	544,659	3,581,071
March	1,713,486	79,538	1,793,024	156,727	1,949,751	3,426,328	655,930	4,082,258
April	1,674,022	76,321	1,750,343	125,061	1,875,404	3,347,704	621,918	3,969,622
May	1,751,110	80,165	1,831,275	130,641	1,961,916	3,497,624	650,389	4,148,013
June	1,859,456	87,074	1,946,530	157,928	2,104,458	3,718,912	733,067	4,451,979
Grand Total FY 04-05	20,397,277	946,948	21,344,225	1,758,999	23,103,224	$38,725,510	$ 7,733,325	$ 46,458,835

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Benicia-Martinez Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2005

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,406,046	68,677	1,474,723	97,749	1,572,472	$ 2,444,252	$ 512,542	$ 2,956,794
August	1,443,614	70,531	1,514,145	86,197	1,600,342	2,452,924	536,879	2,989,803
September	1,365,018	66,514	1,431,532	84,002	1,515,534	2,298,508	511,654	2,810,162
October	1,392,929	61,375	1,454,304	94,447	1,548,751	2,348,714	473,151	2,821,865
November	1,298,874	54,727	1,353,601	97,533	1,451,134	2,586,377	424,702	3,011,079
December	1,347,636	51,510	1,399,146	113,989	1,513,135	2,689,530	403,787	3,093,317
January	1,282,879	46,489	1,329,368	102,825	1,432,193	2,565,094	359,670	2,924,764
February	1,206,584	46,462	1,253,046	96,978	1,350,024	2,412,668	361,617	2,774,285
March	1,381,863	55,354	1,437,217	111,293	1,548,510	2,763,475	426,911	3,190,386
April	1,354,878	57,013	1,411,891	75,186	1,487,077	2,709,526	435,502	3,145,028
May	1,410,319	61,072	1,471,391	78,276	1,549,667	2,818,606	460,542	3,279,148
June	1,517,006	68,942	1,585,948	106,892	1,692,840	3,034,010	498,997	3,533,007
Grand Total FY 04-05	16,407,646	708,666	17,116,312	1,145,367	18,261,679	$31,123,684	$ 5,405,954	$36,529,638

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Antioch Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2005

Schedule 13

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	215,943	20,302	236,245	21,436	257,681	$ 390,510	$ 148,800	$ 539,310
August	209,264	19,986	229,250	18,316	247,566	370,830	149,952	520,782
September	192,738	18,277	211,015	16,890	227,905	339,475	137,162	476,637
October	183,401	16,531	199,932	17,317	217,249	322,867	125,858	448,725
November	178,070	15,001	193,071	15,508	208,579	352,739	115,238	467,977
December	175,105	13,337	188,442	18,200	206,642	348,958	105,570	454,528
January	162,777	12,279	175,056	15,265	190,321	325,408	96,671	422,079
February	160,002	12,314	172,316	14,323	186,639	319,900	97,245	417,145
March	184,431	14,488	198,919	20,294	219,213	368,812	113,499	482,311
April	182,582	15,766	198,348	15,807	214,155	365,132	121,886	487,018
May	202,889	17,409	220,298	12,518	232,816	405,118	131,377	536,495
June	229,691	19,684	249,375	18,128	267,503	459,382	138,222	597,604
Grand Total FY 04-05	2,276,893	195,374	2,472,267	204,002	2,676,269	$ 4,369,131	$ 1,481,480	$ 5,850,611

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Richmond-San Rafael Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2005 — Schedule 14

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,005,600	39,315	1,044,915	69,026	1,113,941	$ 1,659,222	$ 304,437	$ 1,963,659
August	1,016,737	40,708	1,057,445	51,864	1,109,309	1,640,714	318,376	1,959,090
September	938,442	38,063	976,505	73,037	1,049,542	1,508,030	300,668	1,808,698
October	950,803	36,825	987,628	62,279	1,049,907	1,518,126	290,991	1,809,117
November	876,192	33,212	909,404	54,690	964,094	1,733,906	262,781	1,996,687
December	903,688	32,213	935,901	68,498	1,004,399	1,798,537	255,631	2,054,168
January	864,212	28,718	892,930	77,093	970,023	1,727,501	224,143	1,951,644
February	831,418	29,301	860,719	58,827	919,546	1,662,407	230,282	1,892,689
March	966,945	34,989	1,001,934	63,950	1,065,884	1,933,687	273,892	2,207,579
April	939,868	34,260	974,128	58,667	1,032,795	1,879,591	269,897	2,149,488
May	991,198	35,846	1,027,044	59,840	1,086,884	1,980,640	281,277	2,261,917
June	1,050,200	39,471	1,089,671	88,240	1,177,911	2,100,399	337,566	2,437,965
Grand Total FY 04-05	11,335,303	422,921	11,758,224	786,011	12,544,235	$21,142,760	$ 3,349,941	$ 24,492,701

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the San Francisco-Oakland Bay Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2005 — Schedule 15

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	3,673,192	51,377	3,724,569	428,341	4,152,910	$ 6,370,385	$ 427,823	$ 6,798,208
August	3,735,138	58,251	3,793,389	419,463	4,212,852	6,349,807	449,776	6,799,583
September	3,565,763	56,977	3,622,740	382,482	4,005,222	5,975,951	444,169	6,420,120
October	3,620,112	56,921	3,677,033	388,318	4,065,351	6,067,188	444,913	6,512,101
November	3,421,974	54,197	3,476,171	363,112	3,839,283	6,794,616	425,767	7,220,383
December	3,484,456	52,924	3,537,380	421,846	3,959,226	6,941,764	413,479	7,355,243
January	3,380,135	50,139	3,430,274	418,848	3,849,122	6,757,413	392,166	7,149,579
February	3,235,236	47,373	3,282,609	347,267	3,629,876	6,468,854	367,740	6,836,594
March	3,619,916	55,362	3,675,278	413,390	4,088,668	7,238,874	428,068	7,666,942
April	3,553,382	53,307	3,606,689	366,561	3,973,250	7,105,955	415,725	7,521,680
May	3,674,075	57,347	3,731,422	389,943	4,121,365	7,342,578	446,669	7,789,247
June	3,741,358	58,285	3,799,643	396,149	4,195,792	7,482,667	327,469	7,810,136
Grand Total FY 04-05	42,704,737	652,460	43,357,197	4,735,720	48,092,917	$ 80,896,052	$ 4,983,764	$85,879,816

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the San Mateo-Hayward Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2005

Schedule 16

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	1,217,555	37,453	1,255,008	174,804	1,429,812	$ 2,112,832	$ 282,631	$ 2,395,463
August	1,253,542	38,747	1,292,289	161,083	1,453,372	2,110,777	293,022	2,403,799
September	1,201,848	36,873	1,238,721	147,867	1,386,588	1,993,986	280,038	2,274,024
October	1,224,511	35,184	1,259,695	142,115	1,401,810	2,029,991	266,981	2,296,972
November	1,145,596	33,694	1,179,290	150,138	1,329,428	2,273,652	257,686	2,531,338
December	1,152,572	31,808	1,184,380	152,453	1,336,833	2,293,557	244,072	2,537,629
January	1,116,760	30,071	1,146,831	159,417	1,306,248	2,232,995	228,630	2,461,625
February	1,083,479	29,082	1,112,561	121,616	1,234,177	2,166,172	220,276	2,386,448
March	1,240,382	34,023	1,274,405	138,892	1,413,297	2,480,366	258,545	2,738,911
April	1,195,396	33,210	1,228,606	126,492	1,355,098	2,390,575	252,114	2,642,689
May	1,238,110	35,463	1,273,573	133,445	1,407,018	2,472,993	268,930	2,741,923
June	1,306,498	37,563	1,344,061	154,158	1,498,219	2,612,994	346,112	2,959,106
Grand Total FY 04-05	14,376,249	413,171	14,789,420	1,762,480	16,551,900	$27,170,890	$ 3,199,037	$30,369,927

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Dumbarton Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2005

Schedule 17

	Number of Westbound Vehicles					Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	768,182	13,801	781,983	123,367	905,350	$ 1,301,470	$ 103,359	$ 1,404,829
August	789,547	16,246	805,793	123,400	929,193	1,303,048	118,017	1,421,065
September	760,060	14,222	774,282	126,565	900,847	1,241,975	107,014	1,348,989
October	776,390	14,501	790,891	120,870	911,761	1,265,718	112,369	1,378,087
November	725,755	14,730	740,485	123,000	863,485	1,444,370	115,498	1,559,868
December	717,417	14,288	731,705	126,418	858,123	1,430,723	106,679	1,537,402
January	730,273	12,593	742,866	123,806	866,672	1,459,947	96,771	1,556,718
February	692,446	13,030	705,476	110,996	816,472	1,384,619	98,170	1,482,789
March	788,762	11,843	800,605	132,499	933,104	1,577,379	89,508	1,666,887
April	768,863	11,847	780,710	120,027	900,737	1,537,648	89,493	1,627,141
May	786,002	12,392	798,394	123,251	921,645	1,571,186	92,687	1,663,873
June	830,495	13,883	844,378	128,212	972,590	1,660,989	250,736	1,911,725
Grand Total FY 04-05	9,134,192	163,376	9,297,568	1,482,411	10,779,979	$ 17,179,072	$ 1,380,301	$ 18,559,373

Metropolitan Transportation Commission
Schedule of Fiduciary Net Assets by Participant
For the Year Ended June 30, 2005

Schedule 18

	County of Alameda	County of Contra Costa	County of Marin	County of Napa	City/County of San Francisco	County of San Mateo	County of Santa Clara	County of Solano	County of Sonoma	Fiduciary Total
Restricted assets held by participating counties	$ 17,106,100	$ 19,021,607	$ 1,435,140	$ 9,522,107	$ 4,783,415	$ 3,058,380	$ 5,956,217	$ 11,826,146	$ 18,776,441	$ 91,485,553
Total net assets	$ 17,106,100	$ 19,021,607	$ 1,435,140	$ 9,522,107	$ 4,783,415	$ 3,058,380	$ 5,956,217	$ 11,826,146	$ 18,776,441	$ 91,485,553
Accounts payable	$ 4,535,515	$ 391,151	$ 165,400	$ -	$ 22,235	$ -	$ 118,719	$ 21,790	$ 806,439	$ 6,061,249
Due to other governments	12,570,585	18,630,456	1,269,740	9,522,107	4,761,180	3,058,380	5,837,498	11,804,356	17,970,002	85,424,304
Total liabilities	$ 17,106,100	$ 19,021,607	$ 1,435,140	$ 9,522,107	$ 4,783,415	$ 3,058,380	$ 5,956,217	$ 11,826,146	$ 18,776,441	$ 91,485,553

Metropolitan Transportation Commission
Schedule of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2005

Schedule 19

	County of Alameda	County of Contra Costa	County of Marin	County of Napa	City/County of San Francisco	County of San Mateo	County of Santa Clara	County of Solano	County of Sonoma	TDA Fiduciary Fund Total	AB1107 Fund Program	Fiduciary Fund Total
Local Transportation Fund	$ 58,105,165	$ 32,921,222	$ 10,108,114	$ 5,292,650	$ 31,188,994	$ 30,188,236	$ 72,837,803	$ 14,460,392	$ 18,084,274	$ 273,186,850	$ -	$ 273,186,850
AB1107 fees	-	-	-	-	-	-	-	-	-	-	59,378,998	59,378,998
Investment earnings	320,968	250,536	17,077	150,845	77,553	60,039	117,381	227,571	382,500	1,604,470	68,524	1,672,994
Total additions	58,426,133	33,171,758	10,125,191	5,443,495	31,266,547	30,248,275	72,955,184	14,687,963	18,466,774	274,791,320	59,447,522	334,238,842
Allocations	54,500,821	28,262,366	9,527,117	3,869,106	27,038,482	28,163,324	69,306,745	11,556,510	18,971,733	251,196,204	59,457,522	310,653,726
Administrative	2,060,649	1,225,569	404,325	211,706	1,247,560	1,022,390	2,596,823	578,416	655,951	10,003,389	-	10,003,389
Total deductions	56,561,470	29,487,935	9,931,442	4,080,812	28,286,042	29,185,714	71,903,568	12,134,926	19,627,684	261,199,593	59,457,522	320,657,115
Change in Net Assets	1,864,663	3,683,823	193,749	1,362,683	2,980,505	1,062,561	1,051,616	2,553,037	(1,160,910)	13,591,727	(10,000)	13,581,727
Net Assets - Beginning	10,705,922	14,946,633	1,075,991	8,159,424	1,780,675	1,995,819	4,785,882	9,251,319	19,130,912	71,832,577	10,000	71,842,577
Net Assets - Ending	$ 12,570,585	$ 18,630,456	$ 1,269,740	$ 9,522,107	$ 4,761,180	$ 3,058,380	$ 5,837,498	$ 11,804,356	$ 17,970,002	$ 85,424,304	$ -	$ 85,424,304

Metropolitan Transportation Commission
Schedule of Interest Rate Swap – BATA Proprietary Fund
For the Year Ended June 30, 2005

Schedule 20

	Series A-2001	Series A-2001	Series B-2001	Series C-2001	Series 2003	Series 2004	Total
Notional amount	$75,000,000	$75,000,000	$75,000,000	$75,000,000	$200,000,000	$300,000,000	$800,000,000
Trade date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	3/5/2003	8/31/2004	
Swap mode	Cost of fund / 65% LIBOR	Cost of fund / 65% LIBOR	Cost of fund / 65% LIBOR	Cost of fund / 65% LIBOR	65% LIBOR	54% LIBOR +.54	
Maturity	4/1/2036	4/1/2036	4/1/2029	4/1/2025	4/1/2038	4/1/2039	
Basis risk	No***	No***	No***	No***	Yes*	Yes*	
All in rate							
contracted cost	4.090%	4.100%	4.120%	4.110%	4.139%	3.416%	
*ending basis cost - 6/30	0.000%	0.000%	0.000%	0.000%	0.010%	0.010%	
liquidity/remarketing	0.300%	0.300%	0.300%	0.300%	0.300%	0.300%	
	4.390%	4.400%	4.420%	4.410%	4.449%	3.726%	
Counterparty (CP)	Morgan Stanley	Citigroup	AMBAC	AMBAC	AMBAC	AMBAC	
% held by CP - 2001 Swap	25%	25%	See Series C for cumulative	50%	0%	0%	100%
% held by CP - Aggregate	9%	9%	See 2004 for cumulative	See 2004 for cumulative	See 2004 for cumulative	82%	100%
S&P/Moody's	A+/Aa3	AA-/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	
Ratings outlook	Negative/Negative	Stable/Stable	Stable/N.A.	Stable/N.A.	Stable/N.A.	Stable/N.A.	
Termination value	($13,324,987)	($13,445,364)	($12,260,438)	($10,616,922)	($31,469,050)	($16,744,300)	($97,861,061)
Due from/(to) to CP							
Credit risk							
CP collateral posting **							
CP < AA	Yes	No	No	No	No	No	
and							
Termination value > $10,000,000	No	No	No	No	No	No	
Termination risk ****	No	No	No	No	No	No	
Tax risk	Yes	Yes	Yes	Yes	Yes	Yes	
Counterparty default rate	1 Month LIBOR + 1.0%	1 Month LIBOR + 1.0%	1 Month LIBOR + 1.0%	1 Month LIBOR + 1.0%	1 Month LIBOR + 1.0%	1 Month LIBOR + 1.0%	

* Average basis cost since inception is 16 bps; basis cost is weighted

** Unilateral collateral posing from cp

*** Yes, upon 2006 conversion to 65% LIBOR index

**** Unilateral termination at BATA's discretion

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2004

Schedule 21

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues				
Sales taxes for planning activities	$ 9,185,279	$ 9,185,279	$ 9,087,510	$ (97,769)
Grants - Federal	19,900,536	45,905,775	30,979,398	(14,926,377)
Grants - State	3,409,606	8,151,297	4,607,302	(3,543,995)
Project grants from state and local agencies	2,976,228	3,627,467	3,930,166	302,699
Investment income	600,000	600,000	151,394	(448,606)
Other	1,794,450	2,284,542	-	(2,284,542)
Total revenues	37,866,099	69,754,360	48,755,770	(20,998,590)
Expenditures				
Current:				
General government	34,100,525	69,262,588	44,952,850	24,309,738
Allocations to other agencies	5,679,434	9,952,452	9,807,399	145,053
Capital outlay	525,000	625,000	166,011	458,989
Total expenditures	40,304,959	79,840,040	54,926,260	24,913,780
Deficiency of revenues under expenditures	(2,438,860)	(10,085,680)	(6,170,490)	3,915,190
Other financing sources				
Transfers in	1,672,597	6,009,492	3,400,841	(2,608,651)
Net change in fund balances	(766,263)	(4,076,188)	(2,769,649)	1,306,539
Fund balances - beginning	27,212,151	27,212,151	27,212,151	-
Fund balances - ending	$ 26,445,888	$ 23,135,963	$ 24,442,502	$ 1,306,539

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – AB 664 Net Toll Revenue Reserve Fund
For the Year Ended June 30, 2004

Schedule 22

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
Revenues				
Investment income	$ -	$ -	$ 469,466	$ 469,466
Total Revenues	-	-	469,466	469,466
Expenditures				
Current:				
General governement	-	-	4,085	(4,085)
Allocations to other agencies	12,265,162	47,996,629	24,481,428	23,515,201
Total expenditures	12,265,162	47,996,629	24,485,513	23,511,116
Deficiency of revenues under expenditures	(12,265,162)	(47,996,629)	(24,016,047)	23,980,582
Other financing sources				
Transfers in	12,265,162	12,265,162	12,292,116	26,954
Net change in fund balances	-	(35,731,467)	(11,723,931)	24,007,536
Fund balances - beginning	45,557,827	45,557,827	45,557,827	-
Fund balances - ending	$ 45,557,827	$ 9,826,360	$ 33,833,896	$ 24,007,536

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – State Transit Assistance Fund
For the Year Ended June 30, 2004

Schedule 23

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Project grants from state and local agencies	$ 37,952,812	$ 38,363,793	$ 38,363,796	$ 3
Investment income	-	148,362	214,226	65,864
Total revenues	37,952,812	38,512,155	38,578,022	65,867
Expenditures				
Current:				
Allocations to other agencies	56,345,038	63,006,616	38,618,599	24,388,017
Excess (deficiency) of revenues over (under) expenditures	(18,392,226)	(24,494,461)	(40,577)	24,453,884
Other financing sources / (uses)				
Transfers (out) / in	-	-	394,439	394,439
Net change in fund balances	(18,392,226)	(24,494,461)	353,862	24,848,323
Fund balances - beginning	26,008,633	26,008,633	26,008,633	-
Fund balances - ending	$ 7,616,407	$ 1,514,172	$ 26,362,495	$ 24,848,323

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Statistics

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STATISTICAL SECTION

Metropolitan Transportation Commission
Summary of Call Boxes by County (unaudited)
For the Year Ended June 30, 2005

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
For the Year Ended:										
June 30, 1998	649	491	143	106	60	446	885	312	301	3,393
June 30, 1999	679	491	143	106	68	446	885	312	301	3,431
June 30, 2000	699	511	143	106	68	446	885	312	301	3,471
June 30, 2001	699	525	143	106	68	449	886	312	301	3,489
June 30, 2002	701	525	143	106	68	449	886	312	301	3,491
June 30, 2003	744	525	143	106	68	492	886	312	301	3,577
June 30, 2004	744	544	143	106	68	492	886	333	301	3,617
June 30, 2005	482	375	123	106	50	369	634	294	232	2,665

Metropolitan Transportation Commission
Government-Wide Revenues (unaudited)
By Fiscal Years

	PROGRAM REVENUES			GENERAL REVENUES		
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Sales Taxes	Unrestricted Investment Earnings	Total
1994	$ 29,851,323	$ 11,045,624	N/A	$ 5,951,654	$ 1,425,259	$ 48,273,860
1995	30,924,304	13,359,438	N/A	6,197,885	1,786,186	52,267,813
1996	32,561,218	20,482,740	N/A	6,985,078	2,475,587	62,504,623
1997	32,589,565	20,888,238	N/A	7,437,596	2,495,897	63,411,296
1998	142,325,259	17,980,234	N/A	7,995,846	40,482,734	208,784,073
1999	142,457,747	22,522,983	N/A	8,308,337	41,034,464	214,323,531
2000	146,570,469	31,848,657	36,779,136	9,358,589	44,447,110	269,003,961
2001 *	150,759,047	38,906,141	44,648,314	10,641,974	50,626,342	295,581,818
2002	150,127,560	44,810,738	64,472,632	9,326,567	49,973,084	318,710,581
2003 **	151,914,404	46,238,665	72,344,529	8,903,326	27,557,608	306,958,532
2004	152,936,898	47,604,184	42,343,900	9,087,510	12,274,572	264,247,064
2005 ***	256,466,211	48,732,356	44,957,468	9,561,542	24,537,489	384,255,066

* Excludes $400 million bond proceeds
** Excludes $300 million bond proceeds
*** Excludes $300 million bond proceeds

Metropolitan Transportation Commission
Government-Wide Expenses by Function (unaudited)
By Fiscal Years

Fiscal Year	General Government	Allocations to Other Agencies	Toll Bridge Activities	Congestion Relief	Total
1994	$ 11,896,331	$ 16,037,751	N/A	$ 6,976,175	$ 34,910,257
1995	12,764,615	15,981,519	N/A	8,267,619	37,013,753
1996	18,095,531	19,934,506	N/A	8,449,071	46,479,108
1997	17,115,323	35,357,207	N/A	8,644,377	61,116,907
1998	18,526,363	35,212,654	52,105,544	9,890,973	115,735,534
1999	21,079,858	14,650,657	85,250,887	10,921,898	131,903,300
2000	29,698,823	185,263,198	33,982,565	11,849,116	260,793,702
2001	38,845,325	58,179,156	277,944,435	9,618,902	384,587,818
2002	45,894,987	92,787,010	347,029,659	9,251,327	494,962,983
2003	48,570,719	105,152,624	390,063,272	10,375,587	554,162,202
2004	47,237,837	81,873,193	451,929,595	10,869,417	591,910,042
2005	47,451,629	71,885,313	433,703,072	11,788,922	564,828,936

Metropolitan Transportation Commission
TDA Sales Tax of Nine San Francisco Bay Area Counties (unaudited)
By Fiscal Years

Fiscal Year	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
1994	$ 34,714,009	$ 19,318,474	$ 6,297,588	$ 2,709,644	$ 21,447,280	$ 20,715,810	$ 48,133,983	$ 6,777,809	$ 9,912,637	$ 170,027,234
1995	36,474,946	19,873,487	6,506,970	2,610,387	22,756,793	20,764,798	51,059,772	6,985,386	10,049,809	177,082,348
1996	41,179,331	21,591,546	7,025,001	2,944,524	25,276,273	23,178,753	59,903,304	7,417,079	11,057,828	199,573,639
1997	44,005,230	22,103,441	7,401,551	3,139,506	26,700,851	25,273,946	64,428,786	7,793,529	11,655,865	212,502,705
1998	47,713,711	23,991,707	7,993,642	3,076,720	27,729,204	27,460,182	69,208,486	8,355,779	12,923,237	228,452,668
1999	49,283,302	26,423,486	8,596,792	3,805,482	28,894,542	28,202,194	69,622,688	8,792,082	13,760,430	237,380,998
2000	54,936,880	28,290,695	9,527,056	4,451,700	32,039,597	31,697,342	80,362,348	10,272,149	15,810,470	267,388,237
2001	61,283,441	31,388,967	10,302,362	4,921,211	35,787,353	35,831,563	95,812,143	11,471,073	17,429,706	304,227,819
2002	56,343,360	30,538,171	9,732,118	4,876,446	29,683,577	30,834,076	75,632,441	12,019,791	16,813,361	266,473,341
2003	53,596,978	30,495,773	9,694,417	5,136,467	28,959,436	28,972,882	67,567,984	13,069,921	16,887,783	254,381,641
2004	55,175,813	31,412,304	9,907,306	5,102,757	29,492,989	28,570,875	69,078,642	13,532,712	17,369,653	259,643,051
2005	58,105,164	32,921,222	10,108,114	5,292,650	31,188,994	30,188,236	72,837,804	14,460,392	18,084,274	273,186,850

Metropolitan Transportation Commission
Miscellaneous Statistics (unaudited)
June 30, 2005

Date of Incorporation	1970
Form of Government	Commissioners with Appointed Executive Director
Number of Commissioners	16 Voting and 3 Non-Voting Members
Number of Employees (Approved Positions)	130
Type of Tax Support	3.5 % of TDA Sales Tax
Region in Which Commission Operates	San Francisco Bay Area
Number of Counties in the Region	9
Area of Authority in Square Miles	6,980
Population of Region in Which Commission Operates	7,096,575
Number of Toll Bridges in the Region (excluding GGBHTD)	7
Traffic for All Toll Bridges (Number of Vehicles) (excluding GGBHTD)	132,010,203
Toll Revenues (excluding GGBHTD)	250,570,794
Number of Call Boxes in the Region	2,665

Metropolitan Transportation Commission
Demographic Statistics for Nine San Francisco Bay Area Counties (unaudited)
By Calendar Years

Year	Population1	Per Capita Income[4]	Median Age[4]	School Enrollment[2]	Unemployment Rate[3]
1994	6,296,600	N/A	N/A	891,445	6.03%
1995	6,329,800	N/A	N/A	901,650	5.46%
1996	6,375,500	N/A	N/A	920,622	4.45%
1997	6,462,400	N/A	N/A	940,608	3.78%
1998	6,566,100	N/A	N/A	955,843	3.52%
1999	6,658,500	N/A	N/A	968,039	3.02%
2000	6,764,500	30,934	36.6	975,710	2.50%
2001	6,861,500	N/A	N/A	980,475	4.06%
2002	6,936,700	N/A	N/A	972,766	6.47%
2003	6,994,500	N/A	N/A	976,025	6.46%
2004	7,009,400	N/A	N/A	974,281	5.30%
2005	7,096,575	N/A	N/A	973,751	4.49%

Data Sources

[1] State of California, Dept. of Finance, Demographic Research Unit

[2] California Department of Education

[3] State of California, Employment Development Department

[4] Bureau of Census conducts survey every ten years for the Median Age and Per Capita Income of the nine-county region as a whole.

Metropolitan Transportation Commission
Ratio of Annual Debt Service Expenditures
For Bonded Revenue Debt to Total Toll Revenue – BATA Proprietary Fund
By Fiscal Years (unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total Toll Revenue	Ratio of Debt Service to Total Toll Revenue
2001	$ -	$ 1,327,465	$ 1,327,465	$ 143,717,694	0.92%
2002	-	13,357,928	13,357,928	144,230,152	9.26%
2003	-	20,440,983	20,440,983	146,105,106	13.99%
2004	-	26,663,420	26,663,420	147,097,872	18.13%
2005	-	35,373,668	35,373,668	250,570,794	14.11%

No debt prior to 2001

Metropolitan Transportation Commission
Ratio of Retiree Medical Premium to Covered Payroll
Last Five Fiscal Years (unaudited)

Fiscal Year	Retiree Premiums	Covered Payroll	% of Covered Payroll
2000	$ 77,882	$ 8,383,503	0.9%
2001	99,109	9,035,190	1.1%
2002	120,377	10,346,350	1.2%
2003	152,096	11,177,301	1.4%
2004	217,975	11,289,637 *	1.9%
2005	268,105	11,694,664 *	2.3%

* From MTC records

Metropolitan Transportation Commission
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APPENDIX B

ECONOMY OF THE BAY AREA

The following information is provided as general information and has been obtained from sources the Authority believes to be reliable. The Authority makes no representations as to the accuracy or completeness of the information included herein and will not undertake to update any information in this Appendix B.

The Bay Area

General. The San Francisco Bay Area (the "Bay Area") comprises the nine counties which border the San Francisco Bay (the "Bay"). Over 7 million people reside in the Bay Area. The City and County of San Francisco and the County of San Mateo ("San Mateo County") are the two counties nearest the western end of the San Francisco-Oakland Bay Bridge. The County of Alameda ("Alameda County") and the County of Contra Costa ("Contra Costa County") are the two counties nearest the eastern end of the San Francisco-Oakland Bay Bridge. The County of Marin ("Marin County"), the County of Napa ("Napa County') and the County of Sonoma ("Sonoma County") are located to the northwest of the San Francisco-Oakland Bay Bridge and the County of Solano ("Solano County") is northeast of San Francisco and north of Contra Costa County. The County of Santa Clara ("Santa Clara County") is located south and west of the Dumbarton Bridge and is at the southern-most region of the San Francisco Bay. The Bay Area comprises nearly 7,400 square miles of land. The City and County of San Francisco occupies approximately 47 square miles, Alameda County occupies 825 square miles, Contra Costa County occupies approximately 798 square miles, Marin County occupies 588 square miles, Napa County occupies 797 square miles, San Mateo County occupies 531 square miles, Santa Clara County occupies 1,316 square miles, Solano County occupies 872 square miles and Sonoma County occupies 1,604 square miles.

The City and County of San Francisco occupies the tip of a peninsula situated between the Pacific Ocean and San Francisco Bay and is separated from Marin County and other northerly counties by the waterway known as the Golden Gate, which forms the entrance to the Bay and is spanned by the Golden Gate Bridge.

Alameda and Contra Costa Counties, bordering the east side of the Bay (sometimes referred to herein as the "East Bay") across from San Francisco, stretch eastward up to 40 miles beyond the series of hills between the Bay and the Central Valley (the Sacramento and San Joaquin Valleys) of California. Contra Costa County is bordered on the northwest by San Pablo Bay and the north by the Carquinez Strait and the extensive Delta area of the Sacramento and San Joaquin Rivers, which empty into the Bay. Alameda County adjoins Santa Clara at the southern tip of the Bay.

San Mateo County, located directly south of the City and County of San Francisco on the San Francisco Peninsula, has coastal mountains running north and south, dividing the lightly-populated western part of San Mateo County from the heavily-populated eastern corridor between San Francisco and Santa Clara/Silicon Valley. San Mateo County contains 20 incorporated cities and the San Francisco International Airport.

Marin County is linked to San Francisco by the Golden Gate Bridge and to the East Bay by the Richmond-San Rafael Bridge. It is bordered on the north and northeast by Sonoma County and on the west by the Pacific Ocean.

Napa County is located approximately fifty miles northeast of San Francisco. Napa County is bordered on the west by Sonoma County, on the northeast by Yolo County, on the north by Lake County and to the southeast by Solano County. Napa County is characterized by northwest to southeast mountain ranges and valleys, the major valley being that of the Napa River.

Santa Clara County is the largest county by population in the San Francisco Bay Area. It is bordered by Alameda County and a small portion of the San Francisco Bay on the north, Stanislaus and Merced Counties on the east, San Benito County on the south and San Mateo and Santa Cruz Counties on the west.

Solano County is located approximately 35 miles northeast of San Francisco and 35 miles southwest of Sacramento. It is bordered by Napa County to the northwest, Yolo County to the northeast, Sacramento County to the east and Contra Costa County to the south. Between Solano and Contra Costa Counties lies Suisun Bay, which is an extension of San Francisco Bay, and the confluence of the Sacramento and San Joaquin Rivers, which empty into San Pablo Bay through the Carquinez Straits.

Sonoma County is the northernmost of the nine greater San Francisco Bay Area counties. It is bordered on the north and east by Mendocino, Lake, and Napa Counties and to the west and south by the Pacific Ocean, Marin County and San Pablo Bay. Geographically, Sonoma County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys separated by mountains, run northwest to southeast. Elevations range from sea level to 4,262 feet at Mt. Saint Helena, where Sonoma, Napa and Lake Counties converge.

Alameda County. According to California's Department of Finance, an estimated population of more than 1.5 million ranks Alameda County as the seventh most populous county in California. Alameda County's population increased 18% between 1990 and 2005 and it accounts for approximately 21.2% of the population in the Bay Area Counties.

Alameda County has a diverse economic base. Across all industries, Alameda County recorded a loss of 25,900 jobs over the years 2000-2004. Most of the loss occurred in trade, transportation and utilities. However, despite the overall loss, other industries such as financial activities, educational and health services and leisure and hospitality added a total of 16,900 jobs over this same time period. In 2004, the largest employment sector was services, which accounted for 36.5% of total employment. Major private sector employers in Alameda County include Kaiser Permanente, Lawrence Livermore National Laboratory, Safeway Inc., New United Motor Manufacturing and Alta Bates Summit Medical Center, as shown in the table on page B-7.

City and County of San Francisco. The City and County of San Francisco represents approximately 11.3% of the total population of the Bay Area. The population of San Francisco is relatively dense, yet has continued to increase slowly in recent years. The population of the City and County of San Francisco increased 10.4% between 1990 and 2005.

The City and County of San Francisco possesses a large service sector at 48.9% of total employment in 2004. Finance and Insurance follow up at 11.5%. Major private sector employers in San Francisco County include Wells Fargo & Co., California Pacific Medical Center, PG&E Corporation, Gap, Inc. and Kaiser Permanente, as shown in the table on page B-8.

Contra Costa County. Contra Costa County is predominately an affluent, low-density residential area with approximately 14.4% of the population of the Bay Area. The population of Contra Costa County increased 27.0% between 1990 and 2005. According to the California Department of Finance projections, by the year 2020 Contra Costa County will be home to more than 1.3 million residents.

Contra Costa County has one of the fastest-growing work forces among Bay Area counties, with growth in its employment base being driven by the need to provide services to an increasing local population and the immigration of white-collar jobs as a result of the relocation of companies from costlier locations in the Bay Area. After peaking at 6.1% in 2003, the unemployment rate declined to 5.4% in 2004, which was substantially below the State's 6.2% unemployment rate. The services sector accounted for 39.0% of total employment in 2004. Other sectors posting strong growth included manufacturing and construction. Major private sector employers in Contra Costa County include Kaiser Permanente, SCB Communications, Inc., Safeway, Inc., ChevronTexaco Corporation and John Muir/Mt. Diablo Health System, as shown in the table on page B-8.

Marin County. Marin County accounts for approximately 3.6% of the population of the Bay Area. Marin County's population increased 9.7% between 1990 and 2005.

Although Marin County is primarily a suburban residential and recreational area, ranching and dairy farming are major features of the rural areas of West Marin. Industry in Marin County includes movie and video production, computer software, communications equipment, printing, and the manufacture of plastic products, ceramics, candles and cheese. The unemployment rate in 2004 was 4.4%, which was significantly lower than the State's 6.2% unemployment rate. The services sector accounts for approximately 46.6% of the total employment of the county, and retail trade, another significant employment sector, accounts for 18.0% of the total employment in 2004. Major private sector employers in Marin County include Kaiser Permanente, Fireman's Fund Insurance Co., Marin General Hospital, and Safeway, Inc., as shown in the table on page B-8.

Napa County. Napa County comprises approximately 1.9% of the total population of the Bay Area. Napa County's population increased 20.3% between 1990 and 2005.

Napa County's primary industry is agriculture with a substantial presence in the wine industry. The services sector accounts for 35.7% of total employment, while retail trade comprised 13.5% of Napa County's total employment in 2004. Major private sector employers in Napa County include Napa State Hospital, Napa Valley Unified School District, Cultured Stone Corporation, Queen of the Valley Hospital and the Veterans' Home of California, as shown in the table on page B-9.

San Mateo County. San Mateo County comprises approximately 10.2% of the population of the Bay Area. The population of San Mateo County increased 11.4% between 1990 and 2005.

San Mateo County's labor force declined 8.7% between 2000 and 2004. However, the county's unemployment rate dropped to 5.0% from a high of 5.9% in 2003 and consistently posted lower rates than the State during this time period. The unemployment rate in 2004 was 4.4% compared to the State's 6.2% unemployment rate. Between 2000 and 2004, San Mateo County's industry employment decreased by 12.8%. During this time period, the largest employment gains included health and educational services, other services and leisure and hospitality. In 2004 the service sector accounted for 38.8% of total employment. Major private sector employers in San Mateo County include United Airlines, Hewlett-Packard Co., Oracle, Genentech Inc. and Kaiser Permanente, as shown in the table on page B-9.

Santa Clara County. Santa Clara County comprises approximately 24.8% of the population of the Bay Area. The population of Santa Clara County increased 17.5% between 1990 and 2005. Santa Clara County is the largest county in the Bay Area, and is 6th largest in the state.

The service sector is the largest industry in Santa Clara County and accounts for 41.3% of the total employment in 2004. Manufacturing is also a major industry and comprises 19.7% of total employment, while retail trade represents 9.4% of the total job force. Major private sector employers in

Santa Clara County include Cisco Systems Inc., Intel Corp., Solectron Corporation, Stanford University Hospital and Santa Clara Valley Medical Center, as shown in the table on page B-9.

Solano County. Solano County accounts for approximately 5.9% of the population of the Bay Area. Solano County's population increased by 24.2% between 1990 and 2005.

During calendar year 2004, Solano County's labor force averaged 208,400, an increase of 5.0% since 2000. Agriculture and military installations have historically been strong contributors to Solano County's economy. A key element of Solano County's rapid growth has been migration into Solano County. The availability of land and the relatively low cost of housing have attracted additional growth to Solano County. The service sector is the largest industry in Solano County and accounted for 34.7% of total employment in 2004. Retail trade is another important sector representing 17.4% of total employment while the governmental sector remains dominant in Solano County's economy with 19.7% of total employment. Major private sector employers in Solano County are Kaiser Permanente Vallejo Medical, Genentech, Northbay Vaca Valley Hospital, ALZA Corporation and Six Flags Marine Vallejo, as shown in the table on page B-10.

Sonoma County. Sonoma County comprises approximately 6.7% of the Bay Area population. The population of Sonoma County increased 23.2% between 1990 and 2005.

The service sector is the largest industry in Sonoma County and accounts for 36.2% of total employment in 2004. Manufacturing represents 12.7% and the governmental sector remains strong in Sonoma County's economy with 15.5% of total employment. Major private sector employers in Sonoma County include Santa Rosa Junior College, St, Joseph Health System, Kaiser Permanente, Agilent Technologies and Sonoma State University, as shown in the table on page B-10.

Population and Employment

Population. The table below shows population for the Bay Area for the calendar years 1990 and 2000 through 2005. Between 1990 and 2005 population in the Bay Area increased by 17.9%.

BAY AREA POPULATION
1990, and 2000–2005
(1990, 2000 as of April 1; 2001–2005 as of January 1)

	1990	2000	2001	2002	2003	2004	2005	Percent Change 1990–2005
Alameda County	1,276,702	1,443,939	1,465,508	1,483,311	1,491,209	1,496,968	1,507,500	18.0
Contra Costa County	803,732	948,816	966,857	983,418	996,211	1,008,944	1,020,898	27.0
Marin County	230,096	247,289	248,975	250,088	250,799	251,330	252,485	9.7
Napa County	110,765	124,279	126,074	128,266	130,241	131,837	133,294	20.3
San Mateo County	649,623	707,163	712,327	714,788	716,619	718,993	723,453	11.4
Santa Clara County	1,497,577	1,682,585	1,701,060	1,715,051	1,726,628	1,740,699	1,759,585	17.5
Solano County	339,471	394,930	401,720	409,060	413,694	417,447	421,657	24.2
Sonoma County	388,222	458,614	464,764	469,069	471,644	474,993	478,440	23.2
City and County of San Francisco	723,959	776,733	783,882	788,808	791,418	793,403	799,263	10.4
TOTAL	6,020,147	6,784,348	6,871,167	6,941,859	6,988,463	7,034,614	7,096,575	17.9%

Source: State of California Department of Finance.

Employment. As of 2005, approximately over 3.3 million people in the Bay Area are employed, with less than 203,900 of the labor force estimated to be unemployed. The table below sets forth information regarding the size of the labor force, employment and unemployment rates for counties in the Bay Area, the State of California and the United States for the years 2001 through 2005.

BAY AREA LABOR FORCE – EMPLOYMENT/UNEMPLOYMENT
ANNUAL AVERAGES 2001–2005

	2001	2002	2003	2004	2005
Alameda County					
Labor Force	777,900	774,600	760,200	751,700	749,200
Employment	740,500	722,100	707,300	706,800	710,300
Unemployment Rate	4.8%	6.8%	7.0%	6.0%	5.2%
Contra Costa County					
Labor Force	508,000	512,300	511,600	507,700	512,900
Employment	487,500	483,100	480,500	480,100	488,300
Unemployment Rate	4.0%	5.7%	6.1%	5.4%	4.8%
Marin County					
Labor Force	139,900	134,900	131,400	130,000	130,400
Employment	135,000	128,300	124,900	124,200	125,400
Unemployment Rate	3.5%	4.9%	4.9%	4.4%	3.8%
Napa County					
Labor Force	71,300	71,500	71,200	72,300	72,000
Employment	68,800	68,300	67,800	69,000	69,000
Unemployment Rate	3.5%	4.4%	4.7%	4.6%	4.2%
San Francisco County					
Labor Force	469,300	450,300	433,100	426,000	422,400
Employment	445,300	418,600	403,400	400,900	400,900
Unemployment Rate	5.1%	7.0%	6.9%	5.9%	5.1%
San Mateo County					
Labor Force	392,400	378,900	369,300	363,400	365,400
Employment	377,300	357,200	347,500	345,400	349,700
Unemployment Rate	3.8%	5.7%	5.9%	5.0%	4.3%
Santa Clara County					
Labor Force	938,200	889,800	849,900	828,800	824,800
Employment	890,000	814,200	777,700	774,200	779,800
Unemployment Rate	5.1%	8.5%	8.5%	6.6%	5.5%
Solano County					
Labor Force	201,100	207,900	207,000	208,400	210,500
Employment	192,000	196,000	193,800	196,100	199,100
Unemployment Rate	4.5%	5.7%	6.4%	5.9%	5.4%
Sonoma County					
Labor Force	257,800	257,700	254,800	256,800	256,300
Employment	248,400	244,600	240,900	244,100	245,000
Unemployment Rate	3.7%	5.1%	5.5%	4.9%	4.4%
State of California					
Labor Force	17,150,000	17,326,900	17,414,000	17,552,300	17,695,600
Employment	16,217,500	16,166,100	16,223,500	16,459,900	16,746,900
Unemployment Rate	5.4%	6.7%	6.8%	6.2%	5.4%
United States					
Labor Force	143,769,000	144,857,000	146,587,000	147,386,000	149,299,000
Employment	136,939,000	136,480,000	137,731,000	139,244,000	141,719,000
Unemployment Rate	4.8%	5.8%	6.0%	5.5%	5.1%

Source: California data – California Employment Development Department, Labor Market Information Division.
National data–U.S. Department of Labor, Bureau of Labor Statistics.

The table below shows nonagricultural employment for the Bay Area by industry sector in 2004.

BAY AREA ANNUAL AVERAGE NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR 2005

	Alameda and Contra Costa Counties(1)	Santa Clara County(2)	Solano County	Napa County	Sonoma County	San Mateo, Marin, and San Francisco Counties(3)	TOTAL
Natural Resources and Mining	1,100	200	400	100	200	200	2,200
Construction	74,000	44,300	13,500	4,400	14,300	41,500	192,000
Manufacturing	95,400	171,100	9,200	11,400	23,700	43,000	353,800
Trade, Transportation, and Utilities	195,200	132,200	27,400	9,100	34,700	163,900	562,500
Information	30,400	34,700	1,600	700	3,800	41,100	112,300
Financial Activities	70,500	36,200	6,200	2,700	9,700	87,900	213,200
Professional and Business Services	150,600	159,600	11,100	5,500	20,400	182,500	529,700
Educational and Health Services	118,600	96,500	15,800	7,900	22,600	100,900	362,300
Leisure and Hospitality	82,600	72,300	12,500	8,600	20,500	115,800	312,300
Other Services	35,800	25,100	4,200	1,800	6,200	37,300	110,400
Government	180,000	96,000	25,400	10,000	30,400	129,300	471,100
TOTAL *	1,034,200	868,000	127,300	61,900	186,500	943,600	3,221,500

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* Figures may not foot due to independent rounding.
Source: California Employment Development Department.
Note: Certain columns reflect a Metropolitan Statistical Area (MSA). As defined by the California Employment Development Department, a MSA is a large population nucleus, together with adjacent communities that have a high degree of economic and social integration with that nucleus and may comprise one or more counties. A MSA may also include one or more outlying counties that have close economic and social relationships with the central county.

(1) Figures reflect the Oakland-Fremont-Hayward MSA.
(2) Figures reflect the San Jose–Sunnyvale-Santa Clara MSA.
(3) Figures reflect the San Francisco MSA.

Major Employers. The following tables set forth the major employers in each Bay Area county.

BAY AREA MAJOR EMPLOYERS

Alameda County (2005)	Industry	Number of Employees
Kaiser Permanente	Healthcare	25,070[(1)]
University of California, Berkeley	Education	20,649
State of California	State Government	9,584[(1)]
Alameda County	County Government	9,066
Lawrence Livermore National Laboratory	Research	8,730
United States Postal Service	Postal Service	8,013[(1)]
Safeway Inc.	Retail Supermarkets and Corporate Offices	7,691[(1)]
New United Motor Manufacturing	Auto Manufacturer	5,700
Oakland Unified School District	Education	5,614
Alta Bates Summit Medical Center	Hospital	5,000
Wells Fargo & Co.	Financial Services	4,735[(1)]
Lawrence Berkeley National Laboratory	Research	4,300
City of Oakland	City Government	4,266
PG&E Corp.	Energy Holding	2,773[(1)]
Fremont Unified School District	Education	2,570

Source: 2006 San Francisco Business Times Book of Lists.

(1) Figures reflect employees in the East Bay, which includes Contra Costa County.

City and County of San Francisco (2005)	Industry	Number of Employees
City and County of San Francisco	City and County Government	28,220
University of California, San Francisco	Education	19,138
Wells Fargo & Co.	Financial Services	7,581
San Francisco Unified School District	Education	7,241
State of California	State Government	6,115
United States Postal Service	Postal Service	5,234
California Pacific Medical Center	Hospital	5,000
PG&E Corporation	Energy Holding Company	4,629
Gap, Inc.	Specialty Retailer	4,180
Kaiser Permanente	Healthcare	3,860

Source: 2006 San Francisco Business Times Book of Lists.

Contra Costa County (2005)	Industry	Number of Employees
Kaiser Permanente	Healthcare	25,070[1]
SBC Communications, Inc.	Telecommunications	9,849
State of California	State Government	9,584[1]
Contra Costa County	County Government	9,000
United States Postal Service	Postal Service	8,013[1]
Safeway Inc.	Retail Supermarkets and Corporate Offices	7,691[1]
ChevronTexaco Corp.	Oil	6,000
John Muir/Mt. Diablo Health System	Healthcare	5,249
Wells Fargo & Co.	Financial Services	4,735[1]
Mt. Diablo Unified School District	Education	3,551
PG&E Corp.	Energy Holding	2,773[1]

Source: 2006 San Francisco Business Times Book of Lists.

(1) Figures reflect employees in the East Bay, which includes Alameda County.

Marin County (2005)	Industry	Number of Employees
County of Marin	County Government	2,500
State of California	State Government	1,835
Kaiser Permanente	Health Care	1,607
Fireman's Fund Insurance Co.	Insurance	1,400
Marin General Hospital	Hospital	1,400
Safeway Inc.	Retail Grocery Stores	931
Autodesk, Inc.	Software	830
Golden Gate Bridge Highway & Transit	Transit District	822
Novato Unified School District	Education	789

Source: 2006 San Francisco Business Times Book of Lists.

Napa County (2005)	Industry	Number of Employees
Napa State Hospital	Psychiatric Hospitals	2,006
Napa Valley Unified School District	Education	2,000
Cultured Stone	Concrete Products	1,500
Queen of the Valley Hospital	Hospital	1,400
County of Napa	Government	1,289
Veterans' Home of California	Government – Specialty Hospital	1,000
St. Helena Hospital	Hospital	1,000
Silverado Country Club	Resorts	575
Dey Laboratories, Inc.	Physicians Equip. & Supls-Mfrs	547
Napa Valley Community College	Education	525

Sources: Napa Valley Economic Development Corporation
State of California Employment Development Department
County Executive Office – County of Napa, California

San Mateo County (2005)	Industry	Number of Employees
Stanford University	Education	10,686
United Airlines	Airline	10,328
Hewlett-Packard Co.	Computer Hardware	9,200
Oracle Corporation	Prepackaged Software	7,000
Genentech Inc.	Biotechnology	5,763
County of San Mateo	County Government	5,288
Kaiser Permanente	Health care	3,992
United States Postal Service	Postal service	2,396
Safeway Inc.	Retail Grocery Store	2,140
Applera (Applied Biosystems)	Biotechnology	2,000

Source: 2006 San Francisco Business Times Book of Lists; Hewlett Packard Co. information is a San Francisco Business Times estimate.

Santa Clara County (2004)	Industry	Number of Employees
Cisco Systems, Inc.	Computer & Data Processing Services	20,000
Intel Corp.	Electronic Components & Accessories	8,000
Solectron Corp.	Electronic Components & Accessories	6,930
Stanford University Hospital	Hospitals	6,800
Santa Clara Valley Medical Center	Hospitals	3,000
Sun Microsystems, Inc.	Computer & Office Equip. Mfrg.	2,500
IBM Corp.	Computer & Office Equip. Mfrg.	2,500
KLA-Tencor Corp.	Electronic Components & Accessories	2,000
Agilent Technologies, Inc.	Electronic Components & Accessories	2,000
Apple Computer, Inc.	Computer & Office Equip. Mfrg.	1,400

Source: America's Labor Market Information System; www.calmis.cahwnet.gov
2005 Northern California Business Directory and Buyers Guide

Solano County (2004)	Industry	Number of Employees
Kaiser Permanente Vallejo Medical	General Medical & Surgical Hospitals	2,700
Genentech Inc.	Pharmaceuticals	1,500
Northbay Vaca Valley Hospital	General Medical & Surgical Hospitals	1,200
ALZA Corp.	Surgical & Medical Instruments and Apparatus	1,000
Six Flags Inc.	Amusement Parks	1,000
Northbay Medical Center	General Medical & Surgical Hospitals	760
Sutter Solano Medical Center	General Medical & Surgical Hospitals	542
Pacific Bell Inc.	Telephone Communications, Except Radio	500
Travis Federal Credit Union	Federal Credit Unions	500
West America Bancorporation	National Commercial Banks	486

Source: 2005 Northern California Business Directory. Includes only private sector employers; Establishments refusing to supply their employment information are not included in the directory information.

Sonoma County	Industry	Number of Employees
County of Sonoma	County Government	5,022
State of California	State Government	3,596
Santa Rosa Junior College	Community College	3,332
St. Joseph Health System	Hospital	2,750
Kaiser Permanente	HMO and Hospital	2,500
Agilent Technologies	Test and Measurement Equipment	2,200
United States Government	U.S. Government	1,929
Santa Rosa City Schools	Education	1,566
Sonoma State University	Education	1,532
Safeway Inc.	Retail Grocery Store	1,475

Source: pressdemocrat.com. "Outlook 2005 Sonoma County 350 – Top 25 Employers." Information includes both private and public sector employers.

Personal Income

Total personal income of $307.9 million was reported for the Bay Area in 2003, more than 22% of the total personal income in California and a 1.0% increase from 2002. The following table illustrates the 2003 per capita personal income and the ranking within the state for counties in the Bay Area.

BAY AREA
PER CAPITA PERSONAL INCOME
2003

	Per Capita Personal Income	Ranking in California	% of US Average
Alameda	$38,521	7th	122%
Contra Costa	43,957	5th	140
Marin	65,642	1st	209
Napa	38,364	8th	122
San Francisco	55,720	2nd	177
San Mateo	52,841	3rd	168
Santa Clara	46,640	4th	148
Solano	30,259	20th	96
Sonoma	36,466	11th	116
Bay Area Average	45,379	—	144
California	33,415	—	106
National	31,472	—	—

Source: U.S. Department of Commerce Bureau of Economic Analysis.

Industry

The Bay Area's diverse industry features tourism and high technology, and the area is home to the headquarters of 55 of the United States' Fortune 500 firms.

The region's economy ranks as one of the largest in the world and includes a number of cutting-edge industries. It serves as an incubator for the high technology industry, biotechnology research and product development. The Bay Area also encompasses a renowned wine-growing region and a world-class financial center.

The Bay Area ranks first among metropolitan areas nationwide in productivity in the bioscience, computer and electronics, telecommunications, environmental technology, and business services industries. These industries drive innovation, economic growth and job generation in the region. Within the Bay Area, the area commonly referred to as Silicon Valley has the highest concentration of jobs in these knowledge-based industries.

Transportation and Infrastructure

In addition to the BATA Bridges and the Golden Gate Bridge, the Bay Area has approximately 18,000 miles of local streets and roads, approximately 1,400 miles of highways, six public ports and five commercial airports, including San Francisco International, Oakland International, and San Jose International.

San Francisco International Airport is the 5th largest airport in the United States in terms of passengers and the 13th largest in the United States in terms of air cargo. It handled 32.2 million passengers in calendar year 2004. San Francisco International Airport currently serves 56.2% of total air passenger traffic at the three Bay Area airports during calendar year 2004. In 2004, San Francisco International Airport handled 562,835 metric tons of cargo.

The Oakland International Airport handles over 14 million passengers and nearly 675,000 metric tons of air cargo annually. Oakland International Airport broke ground on its Terminal 2 improvement project in April 2004. This $110 million project, scheduled to be completed by Fall 2006, includes construction of a new concourse with five additional boarding gates and waiting areas; a modern, centralized food, beverage and retail shopping area; expanded ticketing, security and baggage claim facilities; and new utilities. Also, the airport began improvements to the terminal roadway and curbside areas in spring 2005 to ease congestion in front of the terminals. The terminal expansion project is part of the airport's proposed $800 million development program that is a group of 18 projects that will enable the airport to handle 13.8 million passengers and one million metric tons of cargo.

San Jose International Airport has grown 84% since 1987. In 2004, San Jose International Airport handled over 10.9 million passengers. The San Jose International Airport also handled 240.0 million pounds of cargo. San Jose International Airport generates 75,000 jobs in the San Jose area, $4.2 billion a year in direct business revenue, $2 billion a year in personal income, $470 million a year in local and state taxes, plus another $60 million in federal aviation-specific taxes. 29 of the nation's 100 fastest growing technology companies are located within 30 miles of the Airport.

There are eight primary public transit systems and numerous local transit operators, together carrying an average weekday ridership of about 1.5 million. The combined annual operation budget of the transit agencies is nearly $1 billion, placing this region among the top transit operating budgets in the nation. Among the major public transit systems are San Francisco Bay Area Rapid Transit District ("BART") and Caltrain. BART operates a 104 mile rail service between the East Bay and San Francisco with 43 stations in northern San Mateo, San Francisco, Alameda, and Contra Costa Counties. Caltrain, another rail system, has 34 stations and 77 miles of track which run from San Francisco south to Gilroy. In addition, in the Bay Area there are numerous specialized services for elderly and disabled travelers.

Visitor and Convention Business

San Francisco hosted over 15.12 million visitors in 2004. These visitors spent an estimated $6.73 billion in local businesses. Visitor dollars support local hotels, restaurants, shops and attractions. Visitor spending also bolsters broad segments of the San Francisco's economy through its income generation, spillover spending effects and broad positive influence on government finances.

San Jose attracts 4.7 million visitors and the Napa Valley wine country attracts another 4.8 million visitors.

Major tourist attractions located in the Bay Area include Alcatraz, Fisherman's Wharf, the Golden Gate Bridge, more than 350 wineries in the Napa and Sonoma valleys, The Exploratorium, Paramount's Great America, Marine World Africa/USA, marinas, museums, theaters, regional parklands and world-renowned restaurants.

The Moscone Center is one of San Francisco's most notable meeting and exhibition facilities. The Moscone Center (composed of Moscone North, South and West) consists of more than two million square feet of building area, including over 700,000 square of exhibit space, up to 106 meeting rooms, and nearly 123,000 square feet of lobbies. Moscone West along covers the better portion of one city block. In 2004, 937,440 attendees or exhibitors registered or were ticketed for an event at the Moscone Center.

In Santa Clara County, San Jose McEnery Convention Center provides over 425,000 square feet of function space, with 143,000 square feet of exhibit space, a 22,000 square foot ballroom, up to 30 meeting rooms capable of seating up to 2,400 theater-style, and can accommodate banquets to 5,000.

Taxable Sales

The following chart sets forth historical taxable sales trends of Bay Area Counties and the State.

TAXABLE SALES TRENDS
for Bay Area Counties
2000 – 2004
($ in thousands)

	2000	2001	2002	2003	2004
Counties:					
Alameda	$ 23,763,516	$ 22,758,085	$ 21,264,629	$ 21,375,029	$ 22,996,365
Contra Costa	12,330,560	12,256,721	12,159,424	12,223,295	12,990,538
Marin	4,056,025	3,950,152	3,848,444	3,891,300	4,053,515
Napa	1,907,675	1,946,548	2,068,249	1,981,693	2,128,261
San Francisco	14,089,926	12,455,236	11,589,440	11,496,746	12,207,507
San Mateo	14,044,016	12,859,589	11,614,809	11,358,439	11,808,074
Santa Clara	37,303,662	32,133,247	27,453,942	27,062,663	28,491,576
Solano	4,423,853	4,748,319	5,077,143	5,339,025	5,752,631
Sonoma	6,823,544	6,819,365	6,702,865	6,796,205	7,189,087
Total Bay Area	$118,742,777	$109,927,262	$101,778,945	$101,524,395	$107,617,554
Total Statewide	$441,854,412	$441,517,560	$440,950,094	$460,096,468	$500,076,783

Source: State of California, Board of Equalization

Construction Activity

Building permits for 27,072 residential units were issued in 2004, which represents a 3.9% decrease from 2003. Building permit valuations for residential units increased 3.9% during 2004.

BAY AREA BUILDING PERMITS AND VALUATIONS
2000-2004

Alameda County*

	2000	2001	2002	2003	2004
New Single-dwelling	$809,832	$473,545	$699,805	$663,584	$749,898
New Multi-dwelling	138,999	173,662	145,233	316,356	475,596
Additions, alterations	216,377	239,408	241,224	279,937	307,825
Total Residential	$1,165,208	$886,614	$1,086,263	$1,259,877	$1,533,319
New Commercial	$342,794	$351,986	$224,760	$144,720	$202,775
New Industrial	125,078	89,817	86,495	36,695	53,262
Other	86,455	41,889	89,132	122,628	100,467
Additions, alterations	505,532	539,366	369,882	304,239	349,232
Total Nonresidential	$1,059,858	$1,023,058	$770,269	$608,282	$705,736
Total Valuation	$2,225,067	$1,909,672	$1,856,531	$1,868,159	$2,239,055
Single-Unit Permit	2,893	1,613	2,306	2,087	2,269
Multi-Unit Permit	1,315	1,522	1,266	2,433	3,422
Total Permits	4,208	3,155	3,572	4,520	5,691

* Figures may not foot due to independent rounding.

Contra Costa County*

	2000	2001	2002	2003	2004
New Single-dwelling	$919,040	$917,085	$1,219,608	$1,263,360	$1,113,572
New Multi-dwelling	116,451	81,836	60,107	190,449	123,333
Additions, alterations	188,994	171,687	213,248	230,428	233,108
Total Residential	$1,224,485	$1,170,608	$1,492,963	$1,684,237	$1,470,014
New Commercial	$216,486	$262,717	$134,262	$128,738	$102,549
New Industrial	12,653	8,832	9,316	33,047	17,421
Other	57,254	88,750	87,959	53,034	68,104
Additions, alterations	193,879	164,673	143,628	197,299	187,109
Total Nonresidential	$480,272	$524,972	$375,165	$412,118	$375,184
Total Valuation	$1,704,756	$1,695,580	$1,868,128	$2,096,355	$1,845,197
Single-Unit Permit	4,344	4,152	5,076	4,965	4,222
Multi-Unit Permit	1,295	984	729	1,930	1,261
Total Permits	5,639	5,136	5,805	6,895	5,483

* Figures may not foot due to independent rounding.

Marin County*

	2000	2001	2002	2003	2004
New Single-dwelling	$156,514	$74,883	$112,514	$173,462	$199,083
New Multi-dwelling	16,803	10,401	17,696	8,114	51,040
Additions, alterations	121,514	118,564	129,407	160,485	170,556
Total Residential	$294,830	$203,848	$259,617	$342,060	$420,679
New Commercial	$57,790	$38,734	$6553	$13,590	$27,920
New Industrial	-0-	3,303	–	–	–
Other	22,700	12,140	13,137	23,862	19,558
Additions, alterations	50,115	45,449	57,463	48,476	46,185
Total Nonresidential	$130,605	$99,625	$77,153	$85,929	$93,663
Total Valuation	$425,435	$303,473	$336,770	$427,989	$514,342
Single-Unit Permit	479	188	288	652	585
Multi-Unit Permit	154	187	152	60	442
Total Permits	633	375	440	712	1,027

* Figures may not foot due to independent rounding.

Napa County*

	2000	2001	2002	2003	2004
New Single-dwelling	$168,129	$209,319	$166,927	$182,882	$199,876
New Multi-dwelling	218	7,462	43,063	4,854	20,921
Additions, alterations	23,149	36,553	35,874	45,622	37,107
Total Residential	$191,496	$253,333	$245,863	$233,358	$257,904
New Commercial	$29,715	$80,469	$37,428	$23,041	$27,618
New Industrial	6,857	7,433	7,503	2,064	6,406
Other	26,926	23,819	25,256	34,159	29,405
Additions, alterations	44,487	45,484	32,689	27,480	35,885
Total Nonresidential	$107,986	$157,204	$102,877	$86,744	$99,315
Total Valuation	$299,482	$410,538	$348,740	$320,102	$357,219
Single-Unit Permit	531	773	610	593	661
Multi-Unit Permit	4	134	584	56	263
Total Permits	535	907	1194	649	924

* Figures may not foot due to independent rounding.

San Francisco County*

	2000	2001	2002	2003	2004
New Single-dwelling	$22,770	$28,311	$24,829	$22,502	$29,113
New Multi-dwelling	456,543	350,041	203,462	243,959	374,471
Additions, alterations	197,475	253,746	259,393	280,360	315,574
Total Residential	$676,789	$632,098	$487,684	$546,820	$719,159
New Commercial	$749,501	$232,290	$375,484	$16,683	$36,360
New Industrial	16,800	550	5000	–	–
Other	27,783	33,227	28,067	41,658	23,295
Additions, alterations	636,187	417,179	328,955	320,303	422,265
Total Nonresidential	$1,430,271	$683,246	$737,506	$378,644	$481,920
Total Valuation	$2,107,060	$1,315,344	$1,225,189	$925,464	$1,201,079
Single-Unit Permit	79	96	88	73	65
Multi-Unit Permit	3,286	1,723	1,242	1,509	2,303
Total Permits	3,365	1,819	1,330	1,582	2,368

* Figures may not foot due to independent rounding.

San Mateo County*

	2000	2001	2002	2003	2004
New Single-dwelling	$241,236	$234,591	$267,727	$257,901	$281,409
New Multi-dwelling	131,049	83,238	97,884	86,889	48,006
Additions, alterations	189,918	197,900	221,182	265,316	272,003
Total Residential	$562,202	$515,729	$586,793	$610,105	$601,418
New Commercial	$423,977	$362,813	$185,884	$14,481	$131,712
New Industrial	27,891	29,624	12,421	–	5,541
Other	34,525	31,457	76,717	52,574	53,168
Additions, alterations	252,911	215,062	241,588	168,497	199,460
Total Nonresidential	$739,303	$638,956	$516,610	$235,551	$389,881
Total Valuation	$1,301,505	$1,154,685	$1,103,402	$845,656	$991,299
Single-Unit Permit	846	722	653	735	633
Multi-Unit Permit	1,471	719	770	569	478
Total Permits	2,317	1,441	1,423	1,304	1,111

* Figures may not foot due to independent rounding.

Santa Clara County*

	2000	2001	2002	2003	2004
New Single-dwelling	$663,552	$439,547	$550,180	$582,543	$721,274
New Multi-dwelling	366,704	329,062	205,130	534,709	303,085
Additions, alterations	318,516	282,900	331,993	349,137	381,852
Total Residential	$1,348,772	$1,051,509	$1,087,303	$1,466,390	$1,406,210
New Commercial	$960,965	$739,861	$426,455	$207,969	$179,304
New Industrial	310,012	203,235	27,502	6,506	45,923
Other	96,953	219,292	279,260	127,713	90,645
Additions, alterations	1,497,929	1,092,435	597,339	630,724	599,955
Total Nonresidential	$2,865,859	$2,254,823	$1,330,556	$972,912	$915,828
Total Valuation	$4,214,631	$3,306,332	$2,417,860	$2,439,302	$2,322,038
Single-Unit Permit	2,834	1,642	2,057	2,320	2,689
Multi-Unit Permit	4,220	4,318	2,456	5,170	2,816
Total Permits	7,054	5,960	4,513	7,490	5,505

* Figures may not foot due to independent rounding.

Solano County*

	2000	2001	2002	2003	2004
New Single-dwelling	$388,639	$326,436	$333,452	$424,981	$461,639
New Multi-dwelling	17,181	50,354	53,016	36,847	43,144
Additions, alterations	16,579	30,912	28,369	34,674	42,063
Total Residential	$422,400	$407,701	$414,837	$496,502	$546,846
New Commercial	$48,357	$39,314	$53,294	$42,989	$59,481
New Industrial	37,739	19,190	38,152	12,857	21,827
Other	28,813	50,876	27,627	38,526	39,527
Additions, alterations	43,829	42,985	37,037	51,788	58,326
Total Nonresidential	$158,737	$152,364	$156,109	$146,160	$179,161
Total Valuation	$581,137	$560,065	$570,946	$642,661	$726,006
Single-Unit Permit	2,050	1,821	1,791	2,134	2,418
Multi-Unit Permit	296	739	670	544	604
Total Permits	2,346	2,560	2,461	2,678	3,022

* Figures may not foot due to independent rounding.

Sonoma County*

	2000	2001	2002	2003	2004
New Single-dwelling	$470,785	$307,681	$295,769	$322,260	$302,186
New Multi-dwelling	31,185	69,048	31,115	86,300	57,640
Additions, alterations	57,962	71,003	72,698	75,013	81,301
Total Residential	$559,932	$447,731	$399,582	$483,574	$441,127
New Commercial	$67,867	$90,854	$129,223	$57,875	$109,732
New Industrial	29,460	22,228	8,861	12,448	3,875
Other	35,548	41,162	43,709	61,150	45,222
Additions, alterations	75,934	57,848	62,599	67,676	81,846
Total Nonresidential	$208,809	$212,092	$244,392	$199,149	$240,675
Total Valuation	$768,741	$659,823	$643,974	$682,723	$681,802
Single-Unit Permit	2,034	1,646	1,295	1,388	1,343
Multi-Unit Permit	521	922	540	951	598
Total Permits	2,555	2,568	1,835	2,339	1,941

* Figures may not foot due to independent rounding.

Source: Construction Industry Research Board.

Vehicle Ownership and Average Commute

The following table sets forth total vehicles and vehicles per capita in the Bay Area from 1930 to 2000

VEHICLE OWNERSHIP IN THE BAY AREA
1930 – 2000

Year	Total Vehicles	Vehicles Per Capita
1930	461,800	0.29
1940	612,500	0.35
1950	1,006,500	0.38
1960	1,620,400	0.45
1970	2,503,100	0.54
1980	3,281,800	0.63
1990	3,953,200	0.66
2000	4,799,300	0.70

Source: Metropolitan Transportation Commission.

The following table set forth the total vehicle miles traveled and the vehicle miles traveled per capita in the Bay Area from 1970 through 2000.

BAY AREA VEHICLE MILES TRAVELED PER WEEKDAY
1970 – 2000

Year	Total Vehicle Miles Traveled	Vehicle Miles Traveled Per Capita
1970	53,662,000	11.6
1980	86,989,000	16.8
1990	107,708,000	17.5
2000	127,770,000	18.7

Source: Metropolitan Transportation Commission.

APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Master Indenture, dated as of May 1, 2001, as supplemented, including as supplemented by the Sixth Supplemental Indenture, dated as of April 1, 2006 (hereinafter collectively referred to as the "Indenture"), between the Bay Area Toll Authority and Union Bank of California, N.A., as trustee. Such summary does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture.

Definitions

"AB 664 Net Toll Revenue Reserves" means the funds generated from a toll increase on the three Bay Area Bridges which comprise the Southern Bridge Group, enacted by legislation referred to as "AB 664," which took effect in 1977, which funds are transferred by the Authority to MTC on an annual basis and allocated by MTC to capital projects that further development of public transit in the vicinity of the three Bay Area Bridges which comprise the Southern Bridge Group.

"Act" means Chapter 4, Chapter 4.3 and Chapter 4.5 of Division 17 of the California Streets and Highways Code and the Revenue Bond Law of 1941, as each may be amended from time to time hereafter.

"Annual Debt Service" means, at any point in time, with respect to Bonds then Outstanding, the aggregate amount of principal and interest scheduled to become due (either at maturity or by mandatory redemption) and sinking fund payments required to be paid in the then current Fiscal Year on all Outstanding Bonds, as calculated by the Authority in accordance with this definition. For purposes of calculating Annual Debt Service and Maximum Annual Debt Service, the following assumptions are to be used to calculate the principal and interest becoming due in any Fiscal Year:

(i) in determining the principal amount due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such principal, including any minimum sinking fund account payments;

(ii) if 20% or more of the principal of such Bonds is not due until the final stated maturity of such Bonds, principal and interest on such Bonds may, at the option of the Authority, be treated as if such principal and interest were due based upon a level amortization of such principal and interest over the term of such Bonds;

(iii) if the Bonds are supported by a Credit Support Instrument, in the form of a line of credit or a letter of credit, principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the maximum term of repayment of borrowings under the Credit Support Agreement entered into in connection with such line of credit or letter of credit;

(iv) if any Outstanding Bonds constitute variable interest rate Bonds, the interest rate on such variable interest rate Bonds shall be assumed to be 110% of the greater of (a) the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (b) the rate of interest on such Bonds on the date of calculation;

(v) if Bonds proposed to be issued will be variable interest rate Bonds the interest on which is excluded from gross income for federal income tax purposes, then such Bonds shall be assumed to bear interest at an interest rate equal to 110% of the average BMA Index during the three (3) months preceding the month of sale of such Bonds, or if BMA Index is no longer published, at an interest rate equal to 75% of the average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of such Bonds, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Authority;

(vi) if Bonds proposed to be issued will be variable interest rate Bonds the interest on which is included in gross income for federal income tax purposes, then such Bonds shall be assumed to bear interest at an interest rate equal to 110% of average One Month USD LIBOR Rate during the three (3) months preceding the month of sale of such Bonds, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the Authority;

(vii) if the Bonds are, or will be, upon issuance part of a Commercial Paper Program, the principal of such Bonds constituting commercial paper (hereinafter in this definition referred to as "commercial paper") will be treated as if such principal were due based upon a 30-year level amortization of principal from the date of calculation and the interest on such commercial paper shall be calculated as if such commercial paper were variable interest rate Bonds;

(viii) notwithstanding subsections (iv), (v), (vi) or (vii) above, with respect to any variable interest rate Bonds or any commercial paper, if (A) the interest rate on such variable interest rate Bonds or commercial paper, plus (B) the payments received and made by the Authority under a Qualified Swap Agreement or a Swap with respect to such variable interest rate Bonds or commercial paper, are expected to produce a synthetic fixed rate to be paid by the Authority (e.g., a Qualified Swap Agreement or a Swap under which the Authority pays a fixed rate and receives a variable rate which is expected to equal or approximate the rate of interest on such variable interest rate Bonds or commercial paper), the variable interest rate Bonds or commercial paper, as the case may be, shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; provided that: (X) during any period when the Swap Party has a long-term credit rating below the two highest long-term Rating Categories by Moody's and S&P, unless the Qualified Swap Agreement or Swap is rated in one of the two highest long-term Rating Categories of Moody's and S&P, or (Y) when there is a default under the Qualified Swap Agreement or Swap, or (Z) after a termination event has occurred with respect to the Authority under the Qualified Swap Agreement or Swap, such variable interest rate Bonds or commercial paper shall be assumed to bear interest at an interest rate equal to the higher of: (1) the synthetic fixed rate, or (2) the assumed interest rate calculated as described in subsections (iv), (v), (vi) or (vii) above;

(ix) with respect to any fixed interest rate Bonds, if (A) the interest rate on such fixed rate Bonds, plus (B) the payments received and made by the Authority under a Qualified Swap Agreement or a Swap with respect to such fixed rate Bonds, are expected to produce a synthetic variable rate to be paid by the Authority (e.g., a Qualified Swap Agreement or a Swap under which the Authority pays a variable rate and receives a fixed rate which is expected to equal the rate of interest on such fixed interest rate Bonds), the fixed interest rate Bonds, shall be treated as bearing such synthetic variable rate for the duration of the synthetic variable rate calculated as provided in (v) above;

(x) if any of the Bonds are, or upon issuance will be, Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations; and

(xi) principal and interest payments on Bonds shall be excluded to the extent such payments are to be paid from amounts then currently on deposit with the Trustee or other fiduciary in escrow specifically therefor and restricted to Government Obligations and interest payments shall be excluded to the extent that such interest payments are to be paid from the proceeds of Bonds held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest.

"Authority" means the Bay Area Toll Authority, a public entity duly established and existing pursuant to the Act, and any successor thereto.

"Authority Administrative Costs" means the amount which the Authority may retain on an annual basis, after payment of debt service on Outstanding Bonds and the costs of Operation & Maintenance Expenses, for its cost of administration pursuant to Section 30958 of the Act, such amount not to exceed one percent (1%) of the gross revenues collected from the tolls annually on the Bay Area Bridges.

"Authorized Denominations" means, with respect to Current Interest Bonds of a Series, $5,000 and any integral multiple thereof.

"Authorized Representative" means the Executive Director, the Deputy Executive Director, the Manager of Finance of the Authority, or any other employee of the Authority at the time designated to act on behalf of the Authority in a Certificate of the Authority executed by any of the foregoing officers and filed with the Trustee, which Certificate shall contain such employee's specimen signature.

"Bay Area Bridges" means the state owned bridges in the San Francisco Bay Area under the jurisdiction of the Authority, comprised of the Antioch Bridge, the Benicia-Martinez Bridge, the Carquinez Bridge, the Dumbarton Bridge, the Richmond-San Rafael Bridge, the San Francisco-Oakland Bay Bridge, the San Mateo-Hayward Bridge, and any additional bridges added after January 1, 2006, to the Authority's jurisdiction and designated by resolution of the Board to be included as a "Bay Area Bridge" under the Indenture. Each Bay Area Bridge includes the existing bridge or bridges and any additional adjacent spans added thereto as toll bridge program capital improvements.

"Bay Area Toll Account" means the account by that name created pursuant to Section 30953 of the Act.

"Beneficial Owner" means, with respect to any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

"BMA Index" means The Bond Market Association® Municipal Swap Index as released to subscribers thereof.

"Board" means the governing board of the Authority.

"Book-Entry Bonds" means Bonds issued under a book-entry only depository system as provided in the Indenture.

"Bond Counsel" means a firm of nationally-recognized attorneys-at-law experienced in legal work relating to the issuance of municipal bonds selected by the Authority.

"Bond Fund" means the fund by that name created pursuant to the Indenture.

"Bond Register" means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

"Bondholder" or "Holder" or "Owner" means the record owner of any Bond shown on the books of registration kept by the Trustee, which, during any period when ownership of the Bond is determined by book entry at a Securities Depository, shall be the Securities Depository.

"Bonds" means the bonds or commercial paper identified as the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Bridge Toll Revenues" means toll revenues and all other income allocated to the Authority pursuant to Section 30953 of the Act derived from the Bay Area Bridges and not limited or restricted to a specific purpose, including revenues from the seismic retrofit surcharge collected pursuant to Section 31010 of the Act that are transferred or paid to the Authority for deposit in the Bay Area Toll Account.

"Business Day" means any day, other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or obligated by law or executive order to be closed in the State of California, the State of New York or any city in which the Principal Office of the Trustee or the principal office of any Credit Provider is located.

"Calendar Week" means the period of seven days from and including Thursday of any week to and including Wednesday of the next following week.

"Caltrans" means the California Department of Transportation.

"Certificate of the Authority" means an instrument in writing signed by an Authorized Representative of the Authority.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

"Commercial Paper Program" means a program of short-term Bonds having the characteristics of commercial paper (i) in that such Bonds have a stated maturity not later than 270 days from their date of issue and (ii) that maturing Bonds of such program may be paid with the proceeds of renewal Bonds.

"Construction Fund" means, with respect to the Initial Bonds, the Initial Bonds Construction Fund created pursuant to the Indenture, and means, with respect to any other Series of Bonds, a similar fund established in the Supplemental Indenture providing for the issuance of such Series of Bonds.

"Continuing Disclosure Agreement" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, entered into by the Authority, the Trustee and the Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

"Cost" means cost as defined in the Act.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, execution, sale and delivery of Bonds, including, but not limited to, advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, liquidity and credit enhancements costs, and any other cost, charge or fee incurred in connection with the issuance of Bonds.

"Credit Provider" means any municipal bond insurance company, bank or other financial institution or organization or group of financial institutions or organizations which are performing in all material respects its or their obligations, as applicable, under any Credit Support Instrument provided with respect to a Series of Bonds and any successor to such provider or providers, or any replacement therefor.

"Credit Support Agreement" means, with respect to any Credit Support Instrument for a Series of Bonds, the agreement or agreements (which may be the Credit Support Instrument itself) between the Authority or the Trustee, as applicable, and the applicable Credit Provider, as originally executed or as such agreement or instrument may from time to time be amended or supplemented in accordance with its terms, providing for the issuance of the Credit Support Instrument to which such Credit Support Agreement relates and the reimbursement of the Credit Provider for payments made thereunder, or any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document entered into in connection therewith.

"Credit Support Instrument" means a policy of insurance, a letter of credit, a line of credit, stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of interest, principal or the Purchase Price of any Series of Bonds, as the as same may be amended from time to time pursuant to its terms, and any replacement therefor.

"Current Interest Bonds" means Bonds the interest rate on which is fixed on the date of issuance of such Bonds at a single numerical rate for the entire term of the Bonds and which pay interest semiannually to the Owners thereof excluding the first payment of interest thereon.

"CUSIP" means the Committee on Uniform Securities Identification Procedures of the American Bankers Association, or any successor to its functions.

"DTC" means The Depository Trust Company, New York, New York or any successor thereto.

"Dissemination Agent" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Trustee, acting its capacity as dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any successor dissemination agent designated in writing by the Authority and which has filed a written acceptance with the Trustee.

"Electronic" means, with respect to notice, notice through the internet or through a time-sharing terminal.

"Event of Default" means any of the events specified in the Indenture.

"Favorable Opinion of Bond Counsel" means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be affected thereby.

"Fees and Expenses" means fees and expenses incurred by the Authority in connection with the Bonds.

"Fees and Expenses Fund" means the fund by that name created pursuant to the Indenture.

"Fiscal Year" means the period of twelve months terminating on June 30 of each year, or any other annual period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law. References in the Indenture to the next Fiscal Year or Fiscal Years of the Authority shall mean the Fiscal Year or Fiscal Years after the then current Fiscal Year.

"Fitch" means Fitch Inc. and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Five Percent Reserves" means an amount of up to five percent (5%) of the funds generated by Regional Measure 1 which are transferred by the Authority to MTC on an annual basis to be applied by MTC to projects that will help reduce vehicular congestion on the Bay Area Bridges and for the planning, construction, operation and acquisition of rapid water transit systems.

"Government Obligations" means: (i) non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including, but not limited to, all direct or fully guaranteed U.S. Treasury Obligations, Farmers Home Administration Certificates of beneficial ownership, General Services Administration Participation certificates, U. S. Maritime Administration Guaranteed Title XI financing, Small Business Administration – Guaranteed participation certificates and Guaranteed pool certificates, Government National Mortgage Association (GNMA) – GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates, U. S. Department of Housing and Urban Development Local authority bonds, Washington Metropolitan Area Transit Authority Guaranteed transit bonds, and State and Local Government Series; (ii) non-callable obligations of government-sponsored agencies that are not backed by the full faith and credit of the U. S. Government, including, but not limited to, Federal Home Loan Mortgage Corp. (FHLMC) Debt Obligations, Farm Credit System (formerly Federal Land Banks, Intermediate Credit Banks, and Banks for Cooperatives) Consolidated Systemwide bonds and notes, Federal Home Loan Banks (FHL Banks) Consolidated debt obligations, Federal National Mortgage Association (FNMA) Debt Obligations, and Resolution Funding Corp. (REFCORP) Debt obligations; and (iii) certain stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U. S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York, excluding custodial receipts, i.e. CATs, TIGERS, unit investment trusts and mutual funds, etc.

"I-Bank" means the California Infrastructure and Economic Development Bank, a public instrumentality of the State, duly organized and existing under the laws of the State.

"I-Bank Bonds" means the California Infrastructure and Economic Development Bank Bay Area Toll Bridges Seismic Retrofit Revenue Bonds, Series 2003A First Lien Bonds, which constitute the only outstanding obligations of the I-Bank under Chapter 4.6 of Division 17 of the California Streets and Highways Code as of the date hereof.

"I-Bank Escrow Agent" means Deutsche Bank National Trust Company, as escrow agent under the Escrow Agreement, dated as of April 1, 2006, between the I-Bank and the I-Bank Escrow Agent, relating to the I-Bank Bonds.

"I-Bank Notes" means the California Infrastructure and Economic Development Bank Bay Area Toll Bridges Seismic Retrofit Revenue Notes, Series 2005 Second Lien Commercial Paper Program previously issued by the I-Bank under Chapter 4.6 of Division 17 of the California Streets and Highways Code.

"Indenture" or "Master Indenture" means the Master Indenture, dated as of May 1, 2001, between the Authority and the Trustee, as the same may be amended or supplemented from time to time as permitted thereby, including as supplemented by the Fifth Supplemental Indenture.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants appointed by the Authority, and who, or each of whom, is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Initial Bonds" means the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds (Variable Rate Demand Bonds), 2001 Series A, 2001 Series B and 2001 Series C, and the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds (Fixed Rate Bonds), 2001 Series D.

"Interest Account" means the account by that name created pursuant to the Indenture.

"Interest Payment Date" means each Semi-Annual Interest Payment Date.

"Issue Date" means, with respect to the 2006 Series F Bonds, the date on which the 2006 Series F Bonds are first delivered to the purchasers thereof.

"Maximum Annual Debt Service" means the maximum amount of Annual Debt Service becoming due during the period from the date of such determination through the final maturity date of the Bonds then Outstanding, as calculated by the Authority, utilizing the assumptions set forth under the definition of Annual Debt Service.

"Moody's" means Moody's Investors Service, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"MTC" means the Metropolitan Transportation Commission, a regional transportation commission duly established and existing pursuant to Sections 66500 et seq. of the California Government Code, and any successor thereto.

"MTC Transfers" means the AB 664 Net Toll Revenue Reserves, the Five Percent Reserves, the Rail Extension Reserves, the Regional Measure 2 Reserves, and the Authority Administrative Costs.

"Net Revenue" means, for any Fiscal Year, Revenue less Operations & Maintenance Expenses, as set forth in the audited financial statements of the Authority.

"Nominee" means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

"One Month USD LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for Dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Authority.

"Operations & Maintenance Expenses" means all expenses related to Caltrans operations and maintenance of toll facilities on the Bay Area Bridges determined in accordance with generally accepted accounting principles, including but not limited to, toll collection costs, including wages and salaries, maintenance and electrical energy for toll administration buildings and toll booths, the San Francisco–Oakland Bay Bridge architectural lighting and maintenance and operation of the existing Transbay Transit Terminal, excluding (i) depreciation or obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of maintenance of the Bay Area Bridges and other structures, roadbeds, pavement, drainage systems, debris removal, landscaping, traffic guidance systems, ice controls, dedicated bridge maintenance stations and maintenance training that, in accordance with Section 188.4 of the California Streets and Highways Code, as normal highway maintenance, are to be paid from the State Highway Account, as further set forth in the Cooperative Agreement, dated July 1, 2003, between the Authority and Caltrans, as amended from time to time pursuant to its terms, and (iv) Subordinated Maintenance Expenditures.

"Operations and Maintenance Fund" means the fund by that name created and held by the Authority pursuant to the Indenture.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except: (i) Bonds canceled or delivered for cancellation at or prior to such date; (ii) Bonds deemed to be paid in accordance with the provisions of the Indenture; (iii) Bonds in lieu of which others have been authenticated under the Indenture; and (iv) all Bonds held by or for the account of the Authority.

"Paired Obligations" shall mean any Series (or portion thereof) of Bonds designated as Paired Obligations in a Supplemental Indenture authorizing the issuance thereof, which are simultaneously issued (a) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (b) the interest rates on which, taken together, result in an irrevocably fixed interest rate obligation of the Authority for the terms of such Paired Obligations.

"Parity Obligations" means obligations of the Authority, the principal of and interest on which are payable from Revenue on a parity with the payment of the Bonds, including payments due under Credit Support Agreements and Qualified Swap Agreements (excluding fees and expenses and termination payments on Qualified Swap Agreements which shall be payable on a subordinate basis).

"Participants" means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository's book-entry system as having an interest in the Bonds.

"Participating Underwriter" means any of the original underwriters of any Series of Bonds required to comply with Rule 15c2-12.

"Permitted Investments" means the following:

(i) any Government Obligations;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Farm Credit System, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation, Student Loan Marketing Association Financing Corp., and U.S. Agency for International Development guaranteed notes;

(iv) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that such obligations are rated in either of the two highest Rating Categories by Moody's and S&P;

(vi) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i) or (ii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vi) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (vi), as appropriate, and (d) which are rated in one of the two highest long-term Rating Categories by Moody's and S&P;

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are rated by Moody's and S&P in their highest short-term Rating Category, or, if the term of such indebtedness is longer than three (3) years, rated by Moody's and S&P in one of their two highest long-term Rating Categories, for comparable types of debt obligations;

(viii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee or any of its affiliates) or by a state licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such bank, trust company, national banking association or branch and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee or third-party agent, as custodian, by the bank, trust company, national banking association or branch issuing such certificates of deposit, and the bank, trust company, national banking association or branch issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(ix) taxable commercial paper or tax-exempt commercial paper rated in the highest Rating Category by Moody's and S&P;

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest short-term Rating Category, if any, and in either of the two highest long-term Rating Categories, if any, by Moody's and S&P, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligations by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by Moody's and S&P;

(xi) any repurchase agreement entered into with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by Moody's and S&P, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above, which shall have a market value (exclusive of accrued interest and valued at least weekly) at least equal to one hundred three percent (103%) of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian, by the provider executing such repurchase agreement, and the provider executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to the Trustee to the effect that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to one hundred three percent (103%) of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(xii) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities and any money market fund, including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities; provided that as used in this clause (xii) and clause (xiii) investments will be deemed to satisfy the requirements of clause (xi) if they meet the requirements set forth in clause (xi) ending with the words "clauses (i), (ii), (iii) or (iv) above" and without regard to the remainder of such clause (xi);

(xiii) any investment agreement with, or the obligations under which are guaranteed by, a financial institution or insurance company or domestic or foreign bank which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by Moody's and S&P;

(xiv) shares of beneficial interest in diversified management companies investing exclusively in securities and obligations described in clauses (i) through (vi) above and which companies have either the highest rating by Moody's and S&P or have an investment advisor registered with the Securities and

Exchange Commission with not less than 5 years experience investing in such securities and obligations and with assets under management in excess of $500,000,000;

(xv) shares in a California common law trust, established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended from time to time;

(xvi) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(xvii) any investment approved by the Board for which confirmation is received from each rating agency then rating any of the Bonds that such investment will not adversely affect such rating agency's rating on such Bonds; and

(xviii) any other investment approved in writing by each Credit Provider then providing a Credit Support Instrument for any Series of Bonds then Outstanding.

"Person" means any natural person, firm, partnership, association, corporation, or public body.

"Principal Account" means the account by that name created pursuant to the Indenture.

"Principal Office" means, with respect to the Trustee, the corporate trust office of the Trustee at 350 California Street, 11th Floor, San Francisco, California 94104, Attention: Corporate Trust Department, or such other or additional offices as may be designated by the Trustee from time to time, and means, with respect to a Credit Provider, the office designated as such in writing by such party in a notice delivered to the Trustee and the Authority.

"Project" means, with respect to a Series of Bonds, that toll bridge program capital improvement or those toll bridge program capital improvements, which are financed or refinanced with the proceeds of such Series of Bonds, as more fully described in the Supplemental Indenture providing for the issuance of such Series of Bonds and the Tax Certificate delivered in connection with such Series of Bonds.

"Qualified Swap Agreement" means a contract or agreement, intended to place such Series of Bonds or portion thereof or such applicable investments, as the Authority shall specify in a resolution authorizing the execution of such contract or agreement, on the interest rate, currency, cash flow or other basis desired by the Authority, payments (other than payments of fees and expenses and termination payments which shall in all cases be payable on a subordinate basis) with respect to which the Authority has specified in its authorizing resolution shall be payable from Revenue on a parity with the payment of Bonds, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Authority and a Swap Party, provided that in each case: (i) the notional amount of the Qualified Swap Agreement shall not exceed the principal amount of the related Series of Bonds or portion thereof or the amount of such investments, as applicable; and (ii) the Authority shall have received a Rating Confirmation from each Rating Agency then rating any Series of Bonds with respect to such Qualified Swap Agreement.

"Rail Extension Reserves" means ninety percent (90%) of the twenty-five cent (25¢) toll increase on two-axle vehicles on the San Francisco-Oakland Bay Bridge authorized by Regional Measure 1 which are transferred by the Authority to MTC on an annual basis to be applied by MTC to rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge.

"Rating Agency" means each of Fitch, Moody's and S&P.

"Rating Category" means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rating Confirmation" means written evidence from each rating agency then rating any Series of Bonds to the effect that, following the event which requires the Rating Confirmation, the then current rating for such Series of Bonds will not be lowered or withdrawn solely as a result of the occurrence of such event.

"Rebate Fund" means the fund by that name created pursuant to the Indenture.

"Record Date" means the fifteenth day (whether or not a Business Day) of the month preceding the month in which such Interest Payment Date occurs.

"Redemption Date" means the date fixed for redemption of Bonds of a Series subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

"Redemption Fund" means the fund by that name created pursuant to the Indenture.

"Redemption Price" means, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

"Regional Measure 1" means Regional Measure 1 which was approved by voters of the City and County of San Francisco and the counties of Alameda, Contra Costa, Marin, San Mateo, Santa Clara and Solano on November 8, 1988 and which took effect on January 1, 1989.

"Regional Measure 2" means Regional Measure 2 which was approved by voters of the City and County of San Francisco and the counties of Alameda, Contra Costa, Marin, San Mateo, Santa Clara and Solano on March 2, 2004 and which took effect on July 1, 2004.

"Regional Measure 2 Reserves" means an amount of up to thirty eight percent (38%) of the funds generated by Regional Measure 2 which are transferred by the Authority to MTC on an annual basis to be applied by MTC to provide operating assistance for transit purposes pursuant to Section 30914(d) of the Act.

"Representation Letter" means the letter or letters of representation from the Authority to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Authority, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

"Reserve Facility" means a surety bond or insurance policy issued to the Trustee by a company licensed to issue a surety bond or insurance policy guaranteeing the timely payment of the principal of and interest on the Bonds, which company shall be rated in the highest long-term rating category by Moody's and S&P, or a letter of credit issued or confirmed by a state or national bank, or a foreign bank with an agency or branch located in the continental United States, which has outstanding an issue of unsecured long term debt securities rated in at least the second highest long-term rating category by Moody's and S&P, or any combination thereof, deposited with the Trustee by the Authority to satisfy the Reserve Requirement or a portion thereof.

"Reserve Facility Costs" means amounts owed with respect to repayment of draws on a Reserve Facility, including interest thereon at the rate specified in the agreement pertaining to such Reserve Facility and expenses owed to the Reserve Facility Provider in connection with such Reserve Facility.

"Reserve Facility Provider" means any provider of a Reserve Facility, any successor thereto or any replacement therefor.

"Reserve Fund" means the fund by that name created pursuant to the Indenture.

"Reserve Requirement" means, as of any date of calculation, an amount equal to the lesser of: (i) Maximum Annual Debt Service on all Bonds then Outstanding; and (ii) 125% of average Annual Debt Service on all Bonds then Outstanding; provided that with respect to a Series of variable rate Bonds for which a fixed rate Swap is not in place, the interest rate thereon for purposes of calculating the Reserve Requirement shall be assumed to be equal to the rate published in The Bond Buyer as the "Bond Buyer Revenue Bond Index" by the most recent date preceding the sale of such Series; and provided, further, that with respect to a Series of Bonds, if the Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of such Series (or, if the Series has more than a de minimis amount of original issue discount or premium, of the issue price of such Bonds) then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such ten percent (10%).

"Revenue" means: (i) Bridge Toll Revenues; (ii) all interest or other income from investment of money in any fund or account of the Authority, including the Operations and Maintenance Fund established pursuant to the Indenture and held by the Authority; (iii) all amounts on deposit in the funds and accounts established pursuant to the Indenture and held by the Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) and all interest or other income from investment of money in the funds and accounts established pursuant to the Indenture and held by the Trustee (excluding the Rebate Fund and any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument); and (iv) all Swap Revenues.

"Revenue Bond Law of 1941" means Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 54300), as may be amended from time to time hereafter.

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, the term "S & P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Securities Depository" means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

"Semi-Annual Interest Payment Date" means April 1 or October 1.

"Series" means all Bonds identified in a Supplemental Indenture as a separate Series.

"Sinking Fund Installment" means, with respect to any Series of Bonds, each amount so designated for the Term Bonds of such Series in the Supplemental Indenture providing for the issuance of such Series of Bonds requiring payments by the Authority to be applied to the retirement of such Series of Bonds on and prior to the stated maturity date thereof.

"Sixth Supplemental Indenture" means the Sixth Supplemental Indenture, dated as of April 1, 2006, between the Authority and the Trustee, as amended and supplemented from time to time.

"Southern Bridge Group" means the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge.

"State" means the State of California.

"Subordinate Obligations" means any obligations of the Authority secured by and payable from Revenue on a basis which is subordinate to the Bonds and Parity Obligations, including, without limitation, fees and expenses and termination payments on Qualified Swap Agreements and payments on Swaps.

"Subordinate Obligations Fund" means the fund by that name created pursuant to the Indenture.

"Subordinated Maintenance Expenditures" means maintenance expenditures that are required by California Streets and Highways Code Section 188.4 to be funded with Bridge Toll Revenues remaining after provision is made for payment of all obligations secured by the lien on Bridge Toll Revenues created by Section 30960(b) of the Act.

"Supplemental Indenture" means any indenture executed and delivered by the Authority and the Trustee that is stated to be a supplemental indenture to the Master Indenture.

"Swap" means any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the Authority and a Swap Party, which is not a Qualified Swap Agreement.

"Swap Party" means each entity which is a party to either a Qualified Swap Agreement or a Swap entered into with the Authority.

"Swap Revenues" means any amount paid by a Swap Party to the Authority pursuant to any Qualified Swap Agreement or Swap, after any netting of payments required by such Qualified Swap Agreement or Swap, as applicable, and any payments paid to the Authority by a Swap Party as consideration for termination or amendment of a Qualified Swap Agreement or Swap, as applicable.

"Tax Certificate" means the Tax Certificate delivered by the Authority at the time of the issuance of a Series of Bonds the interest on which is intended to be exempt from federal income taxation, as the same may be amended and supplemented in accordance with its terms.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Tax-Exempt Securities" means bonds, notes or other securities the interest on which is Tax-Exempt.

"Term Bonds" means Bonds of any Series which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose in the Supplemental Indenture providing for the issuance of such Series of Bonds, which Sinking Fund Installments are calculated to retire such Bonds on or before their specified maturity dates.

"Toll Coverage Calculation Date" means the date the Authority computes the coverage ratios required to be computed pursuant to the provisions of the Indenture, which date shall be within 10 Business Days of the beginning of each Fiscal Year.

"Traffic Consultant" means any engineer or engineering firm or other consulting firm with requisite expertise appointed by the Authority to prepare estimates of Bridge Toll Revenues. The appointed Person or entity may not be an employee of the Authority or MTC, but may have other contracts with the Authority or MTC or any other Person to provide, directly or indirectly, other services to the Authority or MTC and still be appointed as Traffic Consultant.

"Treasury Rate" means the interest rate applicable to 13-week United States Treasury bills determined by the Remarketing Agent on the basis of the average per annum discount rate at which such 13-week Treasury bills shall have been sold at the most recent Treasury auction.

"2006 Series F Bonds" means the Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F, authorized by the Sixth Supplemental Indenture.

"2006F Bonds Delivery Certificate" means the certificate or certificates to be prepared and executed by an Authorized Representative pursuant to the Indenture in connection with delivery of the 2006 Series F Bonds.

"2006F Bonds Proceeds Fund" means the 2006F Bonds Proceeds Fund established pursuant to the Indenture.

"2006F Bonds Project" means payments to provide Caltrans with sufficient funds to combine with the unspent proceeds of outstanding obligations of the I-Bank under Chapter 4.6 of Division 17 of the California Streets and Highways Code to establish that those obligations are no longer outstanding, as that term is defined in the constituent instruments defining the rights of the holders of those obligations, all as more fully described in the 2006F Bonds Tax Certificate, and expenses of the I-Bank and Caltrans in connection therewith.

"2006F Bonds Tax Certificate" means that certain Tax Certificate executed on behalf of the Authority in connection with the issuance of the 2006 Series F Bonds and relating to the requirements of the Code.

"Written Request of the Authority" means an instrument in writing signed by an Authorized Representative.

THE INDENTURE

Statutory Lien, Pledge of State, Pledge of Revenue and Funds and Accounts

Statutory Lien. All Bridge Toll Revenues are to be deposited by the Authority in the Bay Area Toll Account and are subject to a statutory lien created pursuant to Section 30960 of Act in favor of the Bondholders to secure all amounts due on the Bonds and in favor of any provider of credit enhancement for the Bonds to secure all amounts due to that provider with respect to those Bonds. Pursuant to Section 30960 of the Act, such lien, subject to expenditures for operation and maintenance of the Bay Area Bridges and to expenses related to the collection of tolls as authorized in Section 30960(c) of the Act and as provided by the Indenture, shall immediately attach to the Bridge Toll Revenues as such Bridge Toll Revenues are received by the Authority and will be effective, binding, and enforceable against the Authority, its successors, creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act, and the Bridge Toll Revenues shall remain subject to such statutory lien until all Bonds are paid in full or provision made therefor, and the Bay Area Bridges will not become toll-free prior to that time.

Pledge of State. Pursuant to Section 30963 of the Act, the State pledges and agrees with the Holders of the Bonds and those parties who may enter into contracts with the Authority pursuant to the Act that the State will not limit, alter, or restrict the rights vested by the Act in the Authority to finance the toll bridge improvements authorized by the Act and agrees not to impair the terms of any agreements made with the Holders of the Bonds and the parties who may enter into contracts with the Authority pursuant to the Act and pledges and agrees not to impair the rights or remedies of the Holders of Bonds or any such parties until the Bonds, together with interest, are fully paid and discharged and any contracts are fully performed on the part of the Authority.

Pledge of Revenue and Certain Funds and Accounts. All Revenue and all amounts (including the proceeds of Bonds) held by the Trustee in each fund and account established under the Indenture (except for amounts on deposit in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) are pledged to secure the punctual payment of the principal of and interest on the Bonds, Parity Obligations and Reserve Facility Costs, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Said pledge constitutes a first lien on such amounts, is valid and binding from and after the issuance of the Initial Bonds, without any physical delivery or further act and will be irrevocable until all Bonds, Parity Obligations and Reserve Facility Costs are no longer outstanding.

Funds and Accounts

Establishment and Application of Bond Fund. Not less than three Business Days prior to each date when the Authority is required to pay principal or interest on the Bonds or amounts due on Parity Obligations, as provided in the Indenture, the Authority is to transfer to the Trustee from the Bay Area Toll Account such amount of Revenue as is required to make such payments. Upon receipt, all Revenue is to be deposited by the Trustee in the Bond Fund which the Trustee is to establish, maintain and hold in trust. All Revenue held in the Bond Fund is to be held, applied, used and withdrawn only as provided in the Indenture. On or before the date when principal and interest on the Bonds and amounts due on Parity Obligations are due and payable, the Trustee is to transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee is to establish and maintain within the Bond Fund), in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenue sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) Interest Account. The Trustee is to set aside in the Interest Account in the manner and at the times specified in the Indenture amounts sufficient to pay the interest on the Bonds and Parity Obligations as and when due. Moneys in the Interest Account are to be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds and Parity Obligations as such interest becomes due and payable, provided that moneys in any separate account established to pay interest on a Series of Bonds is to be used and withdrawn solely to pay interest on such Bonds as and when due.

(2) Principal Account. The Trustee is to set aside in the Principal Account in the manner and at the times specified in the Indenture amounts sufficient to pay the principal of Bonds (including any sinking fund payments) as and when due (whether at maturity or upon redemption or on account of sinking fund requirements). Moneys in the Principal Account are to be used and withdrawn by the Trustee solely for the purpose of paying principal of the Bonds (including any sinking fund payments) as and when due, provided that moneys in any separate account established to pay principal on a Series of Bonds are to be used and withdrawn solely to pay principal of such Bonds as and when due.

Any moneys remaining in the Bond Fund after the foregoing transfers are to be transferred to the Authority and are to be deposited by the Authority in the Bay Area Toll Account; provided, however, that if the amount then on deposit in the Reserve Fund is less than the Reserve Requirement or if any Reserve Facility Costs will then be due and payable, such moneys are to be transferred to the Reserve Fund until such time as the amount on deposit in the Reserve Fund is equal to the Reserve Requirement and all Reserve Facility Costs have been paid; and provided further that if the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, no Reserve Facility Costs are then due and payable and the Authority is to so direct the Trustee in writing, such moneys are to be transferred to and deposited in the Subordinate Obligations Fund or if there are no Subordinate Obligations then outstanding, such moneys are to be transferred to and deposited in the Fees and Expenses Fund.

Establishment and Application of the Reserve Fund. On the date of issuance of each Series of Bonds, an amount equal to the Reserve Requirement for such Bonds is required to be deposited in the Reserve Fund. Moneys in the Reserve Fund are to be used and withdrawn by the Trustee solely for the purposes of paying principal and interest on the Bonds when due when insufficient moneys for the payment thereof are on deposit in the Principal Account and the Interest Account or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding or, for the payment of the final principal and interest payment of a Series of Bonds, if following such payment the amounts in the Reserve Fund (including the amounts which may be obtained from letters of credit, surety bonds and insurance policies on deposit therein) will equal the Reserve Requirement.

In the event that the Trustee has withdrawn moneys in the Reserve Fund for the purpose of paying principal and interest on the Bonds when due as provided pursuant to the provisions of the Indenture described in the immediately preceding paragraph, the Trustee is to promptly notify the Authority of such withdrawal. Upon receipt of such notification, the Authority, on or prior to the first Business Day of each month, commencing the month after such notification is received from the Trustee by the Authority, is to transfer to the Trustee for deposit in the Reserve Fund, an amount equal to 1/12th of the aggregate amount of each unreplenished withdrawal until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement.

Upon receipt of any notification from the Trustee of a deficiency in the Reserve Fund due to any required valuation of investments in the Reserve Fund provided by the Trustee pursuant to the Indenture, the Authority, on or prior to the first Business Day of each month, commencing the month after such notification is received from the Trustee by the Authority, is to transfer to the Trustee for deposit in the Reserve Fund, an amount equal to 1/12th of the aggregate amount of each unreplenished withdrawal until the amount on deposit in the Reserve Fund is equal to the Reserve Requirement.

Funding of the Reserve Fund. The Reserve Requirement for any Series of Bonds, or any portion thereof, may be funded with a Reserve Facility. If the Reserve Requirement is satisfied by a Reserve Facility, the Trustee is to draw on such Reserve Facility in accordance with its terms and the terms of the Indenture, in a timely manner, to the extent necessary to fund any deficiency in the Interest Account or the Principal Account. The Authority is to repay solely from Revenue any draws under a Reserve Facility and any Reserve Facility Costs related thereto. Interest is to accrue and be payable on such draws and expenses from the date of payment by a Reserve Facility Provider at the rate specified in the agreement with respect to such Reserve Facility.

If any obligations are due and payable under the Reserve Facility, any new funds deposited into the Reserve Fund are to be used and withdrawn by the Trustee to pay such obligations. The pledge of amounts on deposit in certain funds and accounts held by the Trustee under the Indenture to secure payment of Reserve Facility Costs set forth in the Indenture is on a basis subordinate to the pledge of such amounts to the Trustee for payment of the Bonds and Parity Obligations.

Amounts in respect of Reserve Facility Costs paid to a Reserve Facility Provider are to be credited first to the expenses due, then to interest due and then to principal due. As and to the extent payments are made to a Reserve Facility Provider on account of principal due, the coverage under the Reserve Facility is to be increased by a like amount, subject to the terms of the Reserve Facility. Payment of Reserve Facility Costs with respect to amounts drawn under multiple Reserve Facilities are to be made on a pro-rata basis prior to the replenishment of any cash drawn from the Reserve Fund.

If the Authority fails to pay any Reserve Facility Costs in accordance with the requirements described above, a Reserve Facility Provider is to be entitled to exercise any and all legal and equitable remedies available to such Reserve Facility Provider, including those provided under the Indenture other than remedies which would adversely affect Owners of the Bonds. The Indenture will not be discharged until all Reserve Facility Costs owing to a Reserve Facility Provider have been paid in full. The Authority's obligation to pay such amounts expressly survives payment in full of the Bonds.

In the event that the rating for a Reserve Facility Provider is withdrawn or reduced by Moody's or S&P to a rate below the requirements specified in the definition of Reserve Facility set forth above, the Authority is to obtain a substitute or replacement Reserve Facility within 60 days from the date of such reduction or withdrawal to the extent that, in the judgment of the Authority, such a substitute or replacement Reserve Facility is available upon reasonable terms and at a reasonable cost, or the Authority has deposited cash or other Permitted Investments (to the extent the same are available from Revenue), in order to provide that there is to be on deposit in the Reserve Fund an amount equal to the Reserve Requirement.

If the Authority causes a cash-funded Reserve Fund or any portion thereof to be replaced with a Reserve Facility, the amount on deposit in the Reserve Fund which is being replaced is to be transferred to the Authority which will deposit such amount in the Bay Area Toll Account, subject, in the case where such moneys are proceeds of Bonds, to the receipt by the Authority of an Opinion of Bond Counsel to the effect that such transfer will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation.

Establishment and Application of Subordinate Obligations Fund. Upon the written direction of the Authority, the Trustee is to establish, maintain and hold in trust a separate fund designated as the "Subordinate Obligations Fund." After the transfers required from the Bond Fund have been made pursuant to the Indenture, if there are Subordinate Obligations then Outstanding, the Trustee is to transfer remaining Revenue to the Subordinate Obligations Fund and is to comply with the directions provided by the Authority pursuant to the Indenture with respect to application of amounts deposited in the to the Subordinate Obligations Fund.

Establishment and Application of Fees and Expenses Fund. The Trustee is to establish, maintain and hold in trust a separate fund designated as the "Fees and Expenses Fund." After the transfers required from the Bond Fund have been made pursuant to the Indenture, if there are Subordinate Obligations then Outstanding, the Trustee is to transfer remaining Revenue to the Subordinate Obligations Fund and is to comply with the directions provided by the Authority pursuant to the Indenture with respect to application of amounts deposited in the Subordinate Obligations Fund. After such funds have been applied, the Trustee is to transfer remaining Revenue to the Fees and Expenses Fund. All moneys in the Fees and Expenses Fund are to be used and withdrawn by the Trustee to pay Fees and Expenses as directed by and in accordance with a Written Request of the Authority. Upon the payment of Fees and Expenses by the Trustee, remaining Revenue, if any, are to be promptly transferred by the Trustee to the Authority for deposit in the Bay Area Toll Account.

Establishment and Application of Redemption Fund. The Trustee is to establish, maintain and hold in trust a special fund designated as the "Redemption Fund." All moneys deposited by the Authority with the Trustee for the purpose of redeeming Bonds of any Series, unless otherwise provided in the Supplemental Indenture establishing the terms and conditions for such Series of Bonds, are to be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund are to be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as are specified by the Authority in a Written Request of the Authority delivered to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Bonds was issued.

Application of Operations and Maintenance Fund. On the date of issuance of the Initial Bonds, the Authority deposited an amount equal to $75,000,000 in the Operations and Maintenance Fund. Subsequent to the date of issuance of the Initial Bonds, within ten Business Days after the beginning of each Fiscal Year, commencing with the Fiscal Year beginning July 1, 2001, the Authority is to deposit in the Operations and Maintenance Fund such amount as is necessary so that the amount on deposit in the Operations and Maintenance Fund will equal two times budgeted Operations & Maintenance Expenses for such Fiscal Year, such amount to be deposited from Bridge Toll Revenues on deposit in the Bay Area Toll Account. Amounts on deposit in the Operations and Maintenance Fund are to be used and withdrawn by the Authority solely to pay Operations & Maintenance Expenses.

In the event that Bridge Toll Revenues on deposit in the Bay Area Toll Account are not sufficient at the beginning of any Fiscal Year to enable the Authority to make the transfer provided for pursuant to the provisions of the Indenture described in the preceding paragraph at the beginning of such Fiscal Year, the Authority is not required to make such transfer for such Fiscal Year and failure of the Authority to make the transfer at the beginning of any Fiscal Year does not constitute an Event of Default under the Indenture for as long as the Authority is in compliance with the provisions of the Indenture concerning payment of principal and interest on the Bonds and the covenants concerning toll rates described below under the caption "Covenants of the Authority – Toll Rate Covenants."

Establishment and Application of Rebate Fund. Upon the written direction of the Authority, the Trustee is to establish and maintain a separate fund designated as the Rebate Fund and there is to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to each Tax Certificate and the Code. All money at any time deposited in the Rebate Fund are to be held by the Trustee to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate) for payment to the United States of America.

Establishment and Application of 2006F Bonds Proceeds Fund. The Trustee is to establish and maintain a separate fund designated as the "2006F Bonds Proceeds Fund." A portion of the monies set aside and placed in the 2006F Bonds Proceeds Fund is to be immediately transferred by the Trustee to the I-Bank Escrow Agent to provide defeasance funds for the I-Bank Bonds. The balance of the monies set aside and placed in the 2006F Bonds Proceeds Fund is to be applied to reimburse the Authority for funds previously advanced to Caltrans to retire the I-Bank Notes and to pay other Costs of the 2006F Bonds Project and Costs of Issuance of the 2006 Series F Bonds to pay any other Project Costs.

(a) Before any payment from the 2006F Bonds Proceeds Fund is made by the Trustee, the Authority is to file or cause to be filed with the Trustee a requisition of the Authority (each a "Requisition"), such Requisition to be signed by an Authorized Representative and to include: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the Authority in the case of reimbursement for costs theretofore paid by the Authority; (iii) the respective amounts to be paid; (iv) the purpose by general classification for which each obligation to be paid was incurred; (v) if applicable, that obligations in the stated amounts have been incurred by the Authority and are presently due and payable; (vi) that each item thereof is a proper charge against the 2006F Bonds Proceeds Fund and has not been previously paid from said fund; and (vii) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

(b) When the Authority receives an Opinion of Counsel that the I-Bank Bonds are no long outstanding as that term is defined in the constituent instruments defining the rights of the holders of those obligations and the Authority determines that the other Costs of the 2006F Bonds Project and the Costs of Issuance of the 2006 Series F Bonds have been paid, and any other Project Costs the Authority plans to pay from amounts in the 2006 F Proceeds Fund have been paid, a Certificate of the Authority is to be delivered to the Trustee by the Authority stating: (i) the fact and date of such payment; (ii) that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the 2006F Bonds Proceeds Fund is to be maintained in the full amount of such claims until such dispute is resolved); and (iii) that the Trustee is to transfer the remaining balance in the 2006F Bonds Proceeds Fund, less the amount of any such retention, to the Reserve Fund, to the extent of any deficiency therein, and then to the Bond Fund.

Investment of Moneys in Funds and Accounts

Moneys held by the Authority in the Bay Area Toll Account and in the funds and accounts created under the Indenture and held by the Authority, including the Operations and Maintenance Fund, will be invested and reinvested in any lawful investment of the Authority.

Moneys held by the Trustee in the funds and accounts created under the Indenture are to be invested and reinvested in Permitted Investments in accordance with the written instructions of an Authorized Representative of the Authority.

Unless otherwise specified in the Supplemental Indenture creating a Series of Bonds, all Permitted Investments are to be held by or under the control of the Trustee and are to be deemed at all times to be a part of the fund or account which was used to purchase the Permitted Investment. Unless otherwise provided by written instruction of an Authorized Representative or in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account held by the Trustee, other than a Construction Fund or the Rebate Fund, are to be transferred to the Bond Fund when received and all interest, profits and other income received from the investment of moneys in any Construction Fund are to be deposited in such Construction Fund. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security is to be credited to the fund or account from which such accrued interest was paid.

The Trustee is authorized to sell or redeem and reduce to cash a sufficient amount of Permitted Investments whenever the cash balance in any fund or account is or will be insufficient to make any required disbursement. Absent specific instructions from an Authorized Representative, the Trustee is to invest cash balances in Permitted Investments described in clause (xii) of the definition thereof unless otherwise specified in a Supplemental Indenture.

All Investment Securities credited to the Reserve Fund are to be valued as of April 1 of each year (or the next succeeding Business Day if such day is not a Business Day). All Investment Securities credited to the Reserve Fund are to be valued at their fair market value determined to the extent practical by reference to the closing bid price thereof published in the Wall Street Journal or any other financial publication or quotation service selected by the Trustee in its discretion.

The Trustee or its affiliates may act as sponsor, advisor, principal or agent in the acquisition or disposition of any investment with the prior written approval of an Authorized Representative. The Trustee may commingle any of the moneys held by it pursuant to the Indenture (except for amounts on deposit in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Credit Support Instrument) for investment purposes only; provided, however, that the Trustee will is to separately for the moneys belonging to each fund or account established pursuant to the Indenture and held by it.

Additional Bonds; Subordinate Obligations

Restrictions on Issuance of Additional Bonds. Subsequent to the issuance of the Initial Bonds, no additional Bonds (or Parity Obligations) are to be issued unless at least one of the following is true immediately following the issuance of such additional Bonds:

(a) the additional Bonds (or Parity Obligations) are issued for refunding purposes to provide funds for the payment of any or all of the following: (1) the principal or redemption price of the Outstanding Bonds (or Parity Obligations) to be refunded; (2) all expenses incident to the calling, retiring or paying of such Outstanding Bonds (or Parity Obligations) and the Costs of Issuance of such refunding Bonds; (3) interest on all Outstanding Bonds (or Parity Obligations) to be refunded to the date such Bonds will be called for redemption or paid at maturity; and (4) interest on the refunding Bonds (or Parity

Obligations) from the date thereof to the date of payment or redemption of the Bonds (or Parity Obligations) to be refunded.

(b) the Board determines that one of the following is true: (1) the ratio of (A) Net Revenue for the most recent Fiscal Year for which audited financial statements are available to (B) Maximum Annual Debt Service on the Bonds (and Parity Obligations), calculated as of the date of sale of, and including such additional Bonds, will not be less than 1.50:1; or (2) the ratio of (A) projected Net Revenue for each of the next three (3) Fiscal Years, including in such projections amounts projected to be received from any adopted toll increase or planned openings of an additional Bay Area Bridge, to (B) Maximum Annual Debt Service on the Bonds (and Parity Obligations), calculated as of the date of sale of, and including such additional Bonds (and Parity Obligations), will not be less than 1.50:1.

Maximum annual debt service with respect to Parity Obligations is to be determined using the principles set forth in the definition of Maximum Annual Debt Service; provided that if a Parity Obligation is contingent upon funds being provided under a Credit Support Instrument to pay principal or purchase price of or interest on a Bond, such Parity Obligations will not be considered outstanding until such payment is made thereunder.

For Additional Bonds and Parity Obligations issued to finance a Project that includes toll bridge program capital improvements for any bridge newly designated after January 1, 2006 as a Bay Area Bridge, projected Net Revenue for such bridge is to be calculated using estimates of Bridge Toll Revenues prepared by a Traffic Consultant unless that bridge has been an operating toll bridge for at least three Fiscal Years.

Proceedings for Issuance of Additional Bonds. Subsequent to the issuance of the Initial Bonds, whenever the Authority determines to issue additional Bonds (and Parity Obligations), the Authority shall, in addition to fulfilling the requirements of the Indenture described above, file with the Trustee:

(a) a certificate of the Authority stating that no Event of Default specified in the Indenture has occurred and is then continuing;

(b) a certificate of the Authority stating that the requirements of the Indenture described under subparagraph (b) under the caption "Restrictions on Issuance of Additional Bonds" have been satisfied;

(c) if such additional Bonds are being issued based upon compliance with subparagraph (b)(1) above under the caption "Restrictions on Issuance of Additional Bonds," a Certificate of the Authority stating that nothing has come to the attention of the Authority that would lead the Authority to believe that there has been a material adverse change in the operation of the Bay Area Bridges such that Net Revenue for the then current Fiscal Year would be insufficient to meet the debt service coverage requirement set forth in subparagraph (b)(1) above under the caption "Restrictions on Issuance of Additional Bonds";

(d) the balance in the Reserve Fund upon receipt of the proceeds of the sale of such Series of Bonds shall be increased, if necessary, to an amount at least equal to the Reserve Requirement with respect to all Bonds Outstanding upon the issuance of such Series of Bonds; and

(e) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture creating such Series of Bonds has been duly authorized by the Authority in accordance with the Indenture and that such Series of Bonds, when duly executed by the Authority and authenticated and delivered by the Trustee, are to be valid and binding obligations of the Authority.

Subordinate Obligations. Except to the extent restricted by a Supplemental Indenture, the Authority may issue or incur obligations payable out of Revenue on a basis junior and subordinate to the payment of the principal, interest and reserve fund requirements for the Bonds and Parity Obligations, as the same become due and payable and at the times and in the manner as required by the Indenture or as required by the instrument pursuant to which such Parity Obligations were issued or incurred, as applicable.

Covenants of the Authority

Punctual Payment. The Authority is to punctually pay the principal and Purchase Price of and the interest on (and redemption premiums, if any) to become due on the Bonds in strict conformity with the terms of the Act, the Indenture and the Bonds, and is to faithfully observe and perform all of the agreements and covenants contained in the Indenture and the Bonds.

Against Encumbrances; First Lien Indebtedness; Subordinated Bonds. The Authority is not to create or cause or permit to be created any pledge, lien, charge or encumbrance having priority over, or having parity with, the lien of the Bonds and Parity Obligations upon any of the Revenue or issue any bonds, notes or other obligations secured by a pledge of or charge or lien upon Revenue except Bonds and Parity Obligations; provided that the Authority may at any time, or from time to time, issue or incur Subordinate Obligations as provided in the Indenture.

Tax Covenants. The Authority is not to use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations that would cause the interest on Bonds intended by the Authority to be exempt from federal income taxation to become subject to federal income taxation, and will not take or permit to be taken any other action or actions, which would cause any such Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable regulations promulgated from time to time thereunder. The Authority is to observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority covenants to comply with the provisions and procedures of each Tax Certificate.

Toll Rate Covenants. The Authority covenants that it is at all times to establish and maintain tolls on the Bay Area Bridges at rates sufficient to meet Operations & Maintenance Expenses, to otherwise comply with the Act and to pay debt service on all Outstanding Bonds and Parity Obligations secured by Revenue.

In addition to the requirements of the Indenture described in the above paragraph, while any Bonds or Parity Obligations remain Outstanding, the Authority covenants: (i) to compute Net Revenue, MTC Transfers, Subordinated Maintenance Expenditures, Annual Debt Service, Subordinate Obligations, and the ratios required by the provisions of the Indenture described in the following subsection (iii) (such ratios being hereinafter referred to as the "Coverage Ratios") within ten Business Days after the beginning of each Fiscal Year (such date of computation being hereinafter referred to as a "Toll Coverage Calculation Date"), commencing with the Fiscal Year beginning July 1, 2001; (ii) to furnish to the Trustee and each Credit Provider a Certificate of the Authority setting forth the results of such computations and such Coverage Ratios, such Certificate to be provided no later than two months after the beginning of each Fiscal Year; and (iii) to increase tolls if on any Toll Coverage Calculation Date, (x) the ratio produced by dividing Net Revenue by the sum of Annual Debt Service and MTC Transfers (such sum being hereinafter referred to as "Fixed Charges"), Subordinated Maintenance Expenditures for the then current Fiscal Year and payments on Subordinate Obligations for the then current Fiscal Year (determined using the principles set forth in the definition of Annual Debt Service but excluding payments that are one-time or extraordinary payments, such as termination payments on Qualified Swap Agreements) is less than 1.0 or (y) the ratio produced by dividing the sum of (1) Net Revenue and (2) any funds then on deposit in the Operations and Maintenance Fund by Fixed Charges for the then current Fiscal Year is less than 1.25, or (z) the ratio produced by dividing Net Revenue by Annual Debt Service for the then current Fiscal Year is less than 1.20. For purposes of such calculations, Net Revenue and Subordinated Maintenance Expenditures are determined by reference to the current budget of the Authority.

Payment of Claims. The Authority is to pay and discharge any and all lawful claims which, if unpaid, might become a charge or lien upon the Revenue or any part thereof or upon any funds in the hands of the Authority or the Trustee prior to or on a parity with the charge and lien upon the Revenue securing any Bonds.

Accounting Records and Financial Statements. The Authority is to keep appropriate accounting records in accordance with generally accepted accounting principles. Such accounting records, at all times during business hours, are to be subject to the inspection of the Trustee or of any Holder (or its representative authorized in writing).

The Authority is to prepare and file with the Trustee annually within 210 days after the close of each Fiscal Year financial statements of the Authority for such fiscal year, together with an audit report thereon prepared by an Independent Certified Public Accountant.

Protection of Revenue and Rights of Holders. The Authority is to preserve and protect the security of the Bonds and Parity Obligations and the rights of the Bondholders and the holders of Parity Obligations and is to warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the Authority, the Bonds are to be incontestable by the Authority.

Payment of Governmental Charges and Compliance with Governmental Regulations. The Authority is to pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Revenue, or any part thereof, promptly as and when the same become due and payable, except that the Authority will not be required to pay any such governmental charges so long as the application or validity thereof is contested in good faith and the Authority has set aside reserves to cover such payments.

Continuing Disclosure. Upon the issuance of any Series of Bonds or upon conversion of any Series of Bonds to an interest rate period requiring an undertaking regarding continuing disclosure under Rule 15c2-12, the Authority and the Trustee covenant and agree that they are to comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Indenture, failure of the Authority or the Trustee to comply with the provisions of any Continuing Disclosure Agreement will not constitute an Event of Default under the Indenture; provided, however, that the Trustee, at the request of any Participating Underwriter or the Owners of at least twenty-five percent aggregate principal amount of any Series of Bonds then Outstanding (but only to the extent that the Trustee is indemnified to its satisfaction from any liability or expense, including fees and expenses of its attorneys) or any Owner or Beneficial Owner of a Bond may, are to take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to cause the Authority or the Trustee, as applicable, to comply with its obligations under this paragraph.

Further Assurances. The Authority is to adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided therein.

Debt Policy. The Authority is to maintain in effect at all times a debt policy that includes a prohibition against the use by the Authority of financial instruments authorized by California Government Code sections 5920-5924 or any similar law for speculative purposes.

Events of Default and Remedies of Bondholders

Events of Default. The following events shall be Events of Default:

(a) Default in the payment of any interest on any Bond when and as the same has become due;

(b) Default in the payment of the principal or Purchase Price of or premium, if any, on any Bond when and as the same has become due, whether at the stated maturity or redemption date thereof or otherwise; or

(c) Default in the observance or performance of any other covenant or agreement of the Authority contained in the Indenture and the continuance thereof for a period of 60 days after written notice thereof to the Authority given by the Trustee.

In case one or more Events of Default occurs, then and in every such case the Trustee may, and shall at the request of the Holders of not less than a majority of the aggregate principal amount of any Series of Bonds then Outstanding (or such greater percentage of the Holders of Bonds of any Series as may be specified in the Supplemental Indenture creating such Series), proceed to protect and enforce Bondholder rights by such appropriate judicial proceeding as the Trustee deems most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the exercise of any power granted in the Indenture, or to enforce any other legal or equitable right vested in the Bondholders by the Indenture or the Bonds or by law.

Trustee

The Trustee, during the existence of any Event of Default (which has not been cured), is to exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as reasonable persons would exercise or use under the circumstances in the conduct of their own affairs.

Modification or Amendment of the Indenture

Amendments Permitted Without Bondholder Consent. Except to the extent restricted by a Supplemental Indenture, the Authority, without the consent of or notice to any Bondholders, may adopt amendments to the Indenture for one or more of the following purposes:

(a) To grant to or confer upon the Bondholders of any Series any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders;

(b) To grant or pledge to the Bondholders of any Series any additional security;

(c) To amend the Indenture in such manner as may be necessary or convenient in connection with the book-entry system for payments, transfers and other matters relating to the Bonds;

(d) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any Supplemental Indenture which may be defective or inconsistent with any provision contained therein or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Indenture which will not materially adversely affect the interest of the Bondholders;

(e) To make any change therein necessary, in the Opinion of Bond Counsel, to maintain the exclusion from gross income for federal income tax purposes of the interest on any Outstanding Bonds;

(f) To make modifications or adjustments necessary in order to accommodate a Credit Support Instrument or a Reserve Facility;

(g) To modify, alter, amend or supplement the Indenture or any Supplemental Indenture in any other respect, including any amendments which would otherwise be described in the Indenture, if (i) all Bonds to be affected thereby are variable interest rate bonds, (ii) such amendments will not become effective until written notice thereof has been given to Bondholders by the Trustee, and (iii) thirty days will have passed during which time such Bondholders will have had the opportunity to tender their variable interest rate bonds for purchase; and

(h) To issue additional Bonds under the Indenture in accordance with the terms thereof.

Any Supplemental Indenture entered into pursuant to the provisions of the Indenture summarized above are to be deemed not to materially adversely affect the interest of the Bondholders so long as (i) all Bonds are secured by a Credit Support Instrument and (ii) each Credit Provider will have given its written consent to such Supplemental Indenture.

No modification or amendment to the Indenture that affects to a material extent the security or remedies of the Credit Provider will be entered into without the prior written consent of such Credit Provider.

Amendments Requiring Bondholder Consent. Exclusive of amendments authorized by the provisions of the Indenture described above and subject to the terms and provisions of the Indenture, the Holders of not less than a majority of the aggregate principal amount of the then Outstanding Bonds, or if less than all of the Outstanding Bonds are affected, the Holders of not less than a majority of the aggregate principal amount of the Outstanding Bonds affected, will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to such other amendments to the Indenture as will be consented to by the Authority in its sole discretion for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in the Indenture is to permit, or be construed as permitting (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (b) a reduction in the principal amount of, or the redemption premium or the rate of interest on, any Bond, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds except as provided in the provisions of the Indenture summarized above under the heading "Additional Bonds; Subordinate Obligations," or (d) a reduction in the aggregate principal amount of the Bonds required for any consent to any amendment.

Exclusive of amendments authorized by the provisions of the Indenture described above under the subheading "Amendments Permitted Without Bondholder Consent" and subject to the terms and provisions of the Indenture described therein, the Authority and the Trustee may also enter into a Supplemental Indenture for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, which Supplemental Indenture becomes binding, without the consent of any Holder, when the written consents of each Credit Provider then providing a Credit Support Instrument for any Series of Outstanding Bonds will have been obtained and filed with the Trustee, provided that at such time the payment of principal of and interest on all Bonds then Outstanding are to be insured by or payable under a Credit Support Instrument provided by a Credit Provider then rated in one of the two highest Rating Categories of each rating agency then maintaining a rating on any Bonds and provided, further, however, that nothing in the Indenture is to permit, or be construed as permitting (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Bond, or (b) a reduction in the principal amount of, or the redemption premium or the rate of interest on, any Bond, (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds except as provided in the provisions of the Indenture summarized above under the heading "Additional Bonds; Subordinate Obligations," or (d) a reduction in the aggregate principal amount of the Bonds required for any consent to any amendment.

Effect of Supplemental Indentures. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture is to be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Outstanding Bonds are to thereafter be determined, exercised and enforced subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture are to be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Discharge of Lien

Discharge of Lien and Security Interest. At the election of the Authority, upon payment in full of all the Bonds and of all amounts payable under the Indenture, the pledge and lien on the Revenue arising under the Indenture is to cease, determine and be void; provided, however, such discharge of the Indenture will not terminate the powers and rights granted to the Trustee with respect to the payment, transfer and exchange of the Bonds.

If the principal of or interest on any Bonds are to be paid by a Credit Provider, those Bonds are to remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority within the meaning of the Indenture, and the pledge of the Revenue and all covenants, agreements and other obligations of the Authority as therein provided are to continue to exist and will run to the benefit of each Credit Provider, and such Credit Provider is to be subrogated to the rights of the Holders.

Provision for Payment of Bonds. Bonds (or any portion of the Bonds) are deemed to have been paid within the meaning of the above paragraphs if:

(a) there has been irrevocably deposited with the Trustee in trust either (i) lawful money of the United States of America in an amount which is to be sufficient, or (ii) Government Obligations, the principal and interest on which when due, together with the moneys, if any, deposited with the Trustee at the same time, are to be sufficient (as confirmed by a report of an Independent Certified Public Accountant), to pay when due the principal amount of, redemption premium (if any) and all unpaid interest on such Bonds (or any portion thereof) to the maturity or the redemption date thereof, as the case may be; and

(b) if any such Bonds are to be redeemed on any date prior to their maturity, (i) the Trustee has received (not less than 45 days prior to the proposed redemption date) in form satisfactory to it irrevocable instructions from an Authorized Representative to redeem such Bonds on such date and (ii) notice of such redemption has been given or provision satisfactory to the Trustee has been made for the giving of such notice.

In addition, all money so deposited with the Trustee as provided in the provisions of the Indenture described in the paragraph above may also be invested and reinvested, at the direction of an Authorized Representative, in Government Obligations, maturing in the amounts and times as thereinbefore set forth in the Indenture, and all income from all Government Obligations in the hands of the Trustee pursuant to the Indenture which is not required for the payment of the principal of the Bonds and interest and redemption premium, if any, thereon with respect to which such money has been so deposited, is to be deposited in the Bond Fund as and when realized and applied as is other money deposited in the Bond Fund, or in the event there are no longer any Bonds Outstanding under the Indenture, such income is to be automatically paid over to the Authority.

No Bond which is subject to optional or mandatory tender in accordance with the provisions of the Supplemental Indenture pursuant to which such Bond was issued, is to be deemed to be paid within the meaning of the Indenture, unless arrangements have been made to assure that such Bond, if tendered for purchase in accordance with the provisions of the applicable Supplemental Indenture, could be paid and redeemed from such moneys or Government Obligations as are provided pursuant to the provisions described above.

Liability of Authority Limited to Revenue

The Authority is not required to advance any money derived from any source of income other than Revenue as provided in the Indenture for the payment of the interest on or principal or Purchase Price of or redemption premium, if any, on the Bonds or for the performance of any agreements or covenants contained therein. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring an indebtedness prohibited by the Indenture.

Rights of Credit Providers

A Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Indenture given to the Owners of the Bonds to which such Credit Support Instrument relates.

All provisions under the Indenture authorizing the exercise of rights by a Credit Provider with respect to consents, approvals, directions, waivers, appointments, requests or other actions, are to be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and is to be read as if the Credit Provider were not mentioned therein (i) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument or (ii) after the applicable Credit Support Instrument at any time for any reason ceases to be valid and binding on the Credit Provider, or declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated by the Credit Provider or terminated, or after a receiver, conservator or liquidator has been appointed for the Credit Provider. All provisions relating to the rights of a Credit Provider are to be of no further force and effect if all amounts owing to the Credit Provider under a Credit Support Instrument have been paid and the Credit Support Instrument provided by such Credit Provider is no longer in effect.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company ("DTC") and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

DTC will act as securities depository for the Series 2006F Bonds. The Series 2006F Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2006F Bond certificate will be issued for each maturity of each Series of the Series 2006F Bonds, in the aggregate principal amount of such Series, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post–trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, ("NSCC," "FICC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2006F Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006F Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006F Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006F Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2006F Bonds, except in the event that use of the book-entry system for the Series 2006F Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006F Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2006F Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006F Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006F Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The Authority and the Trustee will not have any responsibility or obligation to such DTC Participants or the persons for whom they act as nominees with respect to the Series 2006F Bonds.

Redemption notices shall be sent to DTC. If less than all of the Series 2006F Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2006F Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2006F Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2006F Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2006F Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2006F Bonds are required to be printed and delivered as described in the Indenture.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

No Assurance Regarding DTC Practices

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2006F BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED HOLDERS OF THE SERIES 2006F BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2006F BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2006F BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Series 2006F Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE SERIES 2006F BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2006F BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE SERIES 2006F BONDS. NO ASSURANCE CAN BE GIVEN BY THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE SERIES 2006F BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

In the event the Authority or the Trustee determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2006F Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more Series 2006F Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Series 2006F Bonds will be governed by the provisions of the Indenture.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

Bay Area Toll Authority
Oakland, California

Bay Area Toll Authority
San Francisco Bay Area Toll Bridge Revenue Bonds,
2006 Series F
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Bay Area Toll Authority (the "Issuer") in connection with issuance of $1,149,205,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F (the "Bonds"), issued pursuant to the provisions of Chapter 4, Chapter 4.3 and Chapter 4.5 of Division 17 of the California Streets and Highway Code and Chapter 6 of Part 1 of Division 2 of Title 5 of the California Government Code, and a Master Indenture, dated as of May 1, 2001, as previously supplemented and as supplemented by a Sixth Supplemental Indenture, dated as of April 1, 2006 (hereinafter collectively referred to as the "Indenture"), between the Issuer and Union Bank of California, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Issuer and the Trustee, certificates of the Issuer, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated April 4, 2006, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special obligations of the Issuer.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Bay Area Toll Authority (the "Authority") and Union Bank of California, N. A., as trustee (the "Trustee") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $1,149,205,000 aggregate principal amount of Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F (the "Series 2006F Bonds"). The Series 2006F Bonds are being issued pursuant to a Master Indenture dated as of May 1, 2001, as previously supplemented and as supplemented by a Sixth Supplemental Indenture, dated as of April 1, 2006 (hereinafter collectively referred to as the "Indenture"), between the Bay Area Toll Authority and the Trustee. The Authority, the Trustee and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority, the Trustee and the Dissemination Agent for the benefit of the Owners (as such term is defined in the Indenture) and the Beneficial Owners (as hereinafter defined) of the Series 2006F Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2 12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement and not otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2006F Bonds (including persons holding Series 2006F Bonds through nominees, depositories or other intermediaries).

"Central Post Office" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

"Disclosure Representative" shall mean the Chief Financial Officer of the Authority or his designee, or such other officer or employee of the Authority as the Chief Financial Officer of the Authority shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Union Bank of California, N. A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at www.sec.gov./info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2006F Bonds required to comply with the Rule in connection with offering of the Series 2006F Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Authority's fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the Authority ending June 30, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Trustee nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f). The Authority reserves the right to make this filing through the Central Post Office.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the

Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall notify the Authority of such failure to receive the Annual Report. The Authority shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the Authority and shall have no duty or obligation to review such Annual Report.

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall: (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any, and file the Annual Report so provided therewith; and (ii) upon verification of filing, file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been filed pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements contained in the Official Statement, dated April 4, 2006 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update (as of the most recently ended fiscal year of the Authority) for: (i) the table entitled "BRIDGE SYSTEM TOLL RATES" set forth in the Official Statement under the caption "THE BRIDGE SYSTEM —Toll Rates;" (ii) the table entitled "TOTAL TOLL-PAYING MOTOR VEHICLE TRAFFIC" set forth in the Official Statement under the caption "THE BRIDGE SYSTEM —Motor Vehicle Traffic and Bridge Toll Revenues" (to the extent such information is collected by Caltrans and provided to the Authority, which information the Authority shall request from Caltrans annually on a timely basis); (iii) the table entitled "TOLL REVENUES" set forth in the Official Statement under the caption "THE BRIDGE SYSTEM —Motor Vehicle Traffic and Bridge Toll Revenues;" and (iv) the column addressing actual results (but not projections) of the table entitled "THE BRIDGE SYSTEM—Historical Revenue, Expenditures and Debt Service Coverage" under the caption "THE BRIDGE SYSTEM—Historical Revenue, Expenditures and Debt Service Coverage."

Any or all of the items listed above may be included by specific reference to other documents, including audited financial statements and official statements of debt issues of the Authority or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to any Series of the Series 2006F Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) modifications to rights of Bondholders;

(iv) optional, contingent or unscheduled bond calls;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or events adversely affecting the tax-exempt status of any Series of the Series 2006F Bonds;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers, or their failure to perform;

(xi) release, substitution or sale of property securing repayment of any Series of the Series 2006F Bonds.

(b) The Trustee shall, within one (1) Business Day, or as soon thereafter as practicable, of obtaining actual knowledge of the occurrence of any of the Listed Events (with no obligation to determine the materiality thereof), contact the Disclosure Representative, inform the Disclosure Representative of the event, and request that the Authority promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For the purpose of the Disclosure Agreement, "actual knowledge" means actual knowledge at the corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters relating to the administration of the Indenture.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Authority has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Authority determines that the Listed Event would not be material under applicable federal securities laws, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence of such event with the Municipal Securities Rulemaking Board and the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (a)(5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Series 2006F Bonds pursuant to the Indenture.

(g) The Authority reserves the right to make such notices of significant event filings through the Central Post Office.

SECTION 6. Termination of Reporting Obligation. The obligations of the Authority, the Trustee and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2006F Bonds, with respect to such series. If such termination occurs prior to the final maturity of the Series 2006F Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Authority and the Trustee. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Authority, provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2006F Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2006F Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2006F Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2006F Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority . In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority , the Dissemination Agent or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2006F Bonds, shall) (but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any Owner or Beneficial Owner of the Series 2006F Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Dissemination Agent or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Authority under this Section shall survive resignation or removal of the Trustee or the Dissemination Agent and payment of the Series 2006F Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or further act.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

If to the Authority: Bay Area Toll Authority
101 Eighth Street
Oakland, California 94607
Attention: Chief Financial Officer
Telephone: (510) 464-7882
Telecopy: (510) 464-7848

If to the Trustee or the
Dissemination Agent: Union Bank of California, N. A.
350 California Street, 11th Floor
San Francisco, California 94104
Attention: Corporate Trust Department
Telephone: (415) 273-2518
Telecopy: (415) 273-2492

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Series 2006F Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: April 25, 2006

BAY AREA TOLL AUTHORITY

By ______________________________________
Chief Financial Officer

UNION BANK OF CALIFORNIA, N. A.,
as Trustee and Dissemination Agent

By ______________________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Bay Area Toll Authority

Name of Bond Issue: Bay Area Toll Authority San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series F (the "Series 2006F Bonds")

Date of Issuance of Series 2006F Bonds: April 25, 2006

NOTICE IS HEREBY GIVEN that the Bay Area Toll Authority (the "Authority") has not provided an Annual Report with respect to the above-named Series 2006F Bonds as required by Section 6.09 of the Master Indenture dated as of May 1, 2001, as previously supplemented and as supplemented by the Sixth Supplemental Indenture, dated as of April 1, 2006, between the Bay Area Toll Authority and Union Bank of California, N. A., as trustee. [The Authority anticipates that the Annual Report will be filed by _____________.]

Dated:_____________________

Union Bank of California, N. A.,
as trustee on behalf of the
Bay Area Toll Authority

cc: Bay Area Toll Authority

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APPENDIX G

REGIONAL MEASURE 2 PROJECTS[1]

RM2 Project	SB 916 Authorized Amounts
BART/MUNI Connection at Embarcadero and Civic Center Stations	$ 3,000,000
MUNI Metro Third Street Light Rail Line	30,000,000
MUNI Waterfront Historic Streetcar Expansion	10,000,000
East to West Bay Commuter Rail Service over the Dumbarton Rail Bridge	135,000,000
Vallejo Station	28,000,000
Solano County Express Bus Intermodal Facilities	20,000,000
Solano County Corridor Improvements near Interstate 80/Interstate 680 Interchange	100,000,000
Interstate 80: Eastbound High-Occupancy Vehicle (HOV) Lane Extension from Route 4 to Carquinez Bridge	50,000,000
Richmond Parkway Transit Center	16,000,000
Sonoma-Marin Area Rail Transit District (SMART) Extension to Larkspur or San Quentin	35,000,000
Greenbrae Interchange/Larkspur Ferry Access Improvements	65,000,000
Direct High-Occupancy Vehicle (HOV) lane connector from Interstate 680 to the Pleasant Hill or Walnut Creek BART Stations	15,000,000
Rail Extension to East Contra Costa/E-BART	96,000,000
Capital Corridor Improvements in Interstate 80/Interstate 680 Corridor	25,000,000
Central Contra Costa Bay Area Rapid Transit (BART) Crossover	25,000,000
Regional Express Bus North	20,000,000
TransLink	22,000,000
Real-Time Transit Information	20,000,000
Safe Routes to Transit	22,500,000
BART Tube Seismic Strengthening	143,000,000
Transbay Terminal/Downtown Caltrain Extension	150,000,000
Oakland Airport Connector	30,000,000
AC Transit Enhanced Bus-Phase 1 on Telegraph Avenue, International Boulevard, and East 14th Street	65,000,000
Commute Ferry Service for Alameda/Oakland/Harbor Bay	12,000,000
Commute Ferry Service for Berkeley/Albany	12,000,000
Commute Ferry Service for South San Francisco	12,000,000
Water Transit Facility Improvements, Spare Vessels, and Environmental Review Costs	48,000,000
Regional Express Bus Service for San Mateo, Dumbarton, and San Francisco-Oakland Bay Bridge Corridors	22,000,000
I-880 North Safety Improvements	10,000,000
BART Warm Springs Extension	95,000,000
I-580 (Tri Valley) Rapid Transit Corridor Improvements	65,000,000
Regional Rail Master Plan	6,500,000
Integrated Fare Structure Program	1,500,000
Transit Commuter Benefits Promotion	5,000,000
Caldecott Tunnel Improvements	50,500,000
TOTAL	$1,465,000,000

[1] RM2 also authorizes $50 million for the construction of the Benicia-Martinez Bridge in addition to amounts authorized under RM1, bringing the total project authorizations under RM2 to $1.515 billion.

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APPENDIX H

PARITY BONDS AND PARITY OBLIGATIONS

There are currently outstanding $2 billion principal amount of Bonds secured on a parity with the Series 2006F Bonds as indicated below.

Bonds	Outstanding Principal Amount	Interest Rate
San Francisco Bay Area Toll Bridge Revenue Bonds, 2001 Series A, 2001 Series B and 2001 Series C (the "Series 2001 Variable Rate Bonds")	$300,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds, 2001 Series D (the "Series 2001 Fixed Rate Bonds," and together with the Series 2001 Variable Rate Bonds, the "Series 2001 Bonds")	$100,000,000	Fixed
San Francisco Bay Area Toll Bridge Revenue Bonds, 2003 Series A, 2003 Series B and 2003 Series C (the "Series 2003 Bonds")	$300,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds, 2004 Series A, 2004 Series B and 2004 Series C (the "Series 2004 Bonds")	$300,000,000	Variable
San Francisco Bay Area Toll Bridge Revenue Bonds, 2006 Series A-1, 2006 Series A-2, 2006 Series A-3, 2006 Series B-1, 2006 Series B-2, 2006 Series C, 2006 Series D-1, 2006 Series D-2, 2006 Series D-3, 2006 Series E-1 and 2006 Series E-2 (the "Series 2006A-E Bonds")	$1,000,000,000	Variable
TOTAL	$2,000,000,000	

In addition, the Authority has certain obligations under Qualified Swap Agreements which obligations (other than termination payments and payments of fees and expenses) are Parity Obligations secured on a parity with the Bonds (including the Series 2006F Bonds). The interest rate swap payments paid by the Authority and the interest rate swap payments received by the Authority as indicated below are netted against each other to result in either a net payment or a net receipt by the Authority, as applicable.

Counterparty	Relating to	Notional Amount	Rate Paid by Authority	Rate Received by Authority
Ambac Financial Services, LLC	Series 2001 Variable Rate Bonds	$75,000,000, amortizing to $0 by April 1, 2025	4.11% per annum	A floating per annum rate based on 65% of the one-month LIBOR index(1)
Ambac Financial Services, LLC	Series 2001 Variable Rate Bonds	$75,000,000, amortizing to $0 by April 1, 2029	4.12% per annum	A floating per annum rate based on 65% of the one-month LIBOR index(1)
Citigroup Global Markets Inc.	Series 2001 Variable Rate Bonds	$75,000,000, amortizing to $0 by April 1, 2036	4.10% per annum	A floating per annum rate based on 65% of the one-month LIBOR index(1)
Morgan Stanley Capital Services Inc.	Series 2001 Variable Rate Bonds	$75,000,000, amortizing to $0 by April 1, 2036	4.09% per annum	A floating per annum rate based on 65% of the one-month LIBOR index(1)
Ambac Financial Services, LLC	Series 2003 Bonds	$200,000,000, amortizing to $0 by April 1, 2038	4.139% per annum	A floating per annum rate based on 65% of the one-month LIBOR index(1)
Ambac Financial Services, LLC	Series 2004 Bonds	$300,000,000, amortizing to $0 by April 1, 2039	3.4155% per annum	A floating per annum rate based on 54% of the one-month LIBOR index(1) plus 0.54%
Ambac Financial Services, LLC	Series 2006A-E Bonds	$500,000,000 amortizing to $0 by April 1, 2045	3.6468% per annum	A floating per annum rate based on 68% of the one-month LIBOR index(1)
Bank of America, N.A.	Series 2006A-E Bonds	$30,000,000 amortizing to $0 by April 1, 2045	3.633% per annum	A floating per annum rate based on 68% of the one-month LIBOR index(1)
Citibank, N.A.	Series 2006A-E Bonds	$225,000,000 amortizing to $0 by April 1, 2045	3.6375% per annum	A floating per annum rate based on 53.80% of the one-month LIBOR index(1) plus 0.74%
JPMorgan Chase Bank, N.A.	Series 2006A-E Bonds	$245,000,000 amortizing to $0 by April 1, 2045	4.00% per annum	A floating per annum rate based on 75.105% of the one-month LIBOR index(1)
Ambac Financial Services, LLC	Bonds to be issued in the calendar year 2007	$420,000,000 amortizing to $0 by April 1, 2047	Effective on November 1, 2007, 3.6407% per annum	Effective on November 1, 2007, a floating per annum rate based on 68% of the one-month LIBOR index(1)
Bank of America, N.A.	Bonds to be issued in the calendar year 2007	$50,000,000 amortizing to $0 by April 1, 2047	Effective on November 1, 2007, 3.6255% per annum	Effective on November 1, 2007, a floating per annum rate based on 68% of the one-month LIBOR index(1)
Citibank, N.A.	Bonds to be issued in the calendar year 2007	$260,000,000 amortizing to $0 by April 1, 2047	Effective on November 1, 2007, 3.636% per annum	Effective on November 1, 2007, a floating per annum rate based on 53.8% of the one-month LIBOR index(1) plus 0.74%
JPMorgan Chase Bank, N.A.	Bonds to be issued in the calendar year 2007	$270,000,000 amortizing to $0 by April 1, 2046	Effective on November 1, 2007, 4.00% per annum	Effective on November 1, 2007, a floating per annum rate based on 75.08% of the one-month LIBOR index(1)

(1) Defined, generally, as the rate for United States dollar denominated deposits in the Eurodollar interbank market with a designated maturity of one-month as quoted in a source nominated by the British Bankers' Association.

Each Qualified Swap Agreement may terminate upon the occurrence of certain events. In the event any Qualified Swap Agreement is terminated, a termination payment will be payable by either the Authority or the applicable counterparty depending on the then current market value of the Qualified Swap Agreement. Any such termination payment payable by the Authority could be substantial. Such termination payments, however, are payable on a basis subordinate to the Bonds (including the Series 2006F Bonds) and the Parity Obligations.

The Authority has also entered into (i) two separate Standby Bond Purchase Agreements, dated as of January 1, 2006 among the Authority, JPMorgan Chase Bank, National Association ("JPMorgan Chase"), Lloyds TSB Bank Plc, acting through its New York Branch ("Lloyds"), Citibank, N.A. ("Citibank"), and Dexia Credit Local, acting through its New York Branch ("Dexia"), and (ii) the Amended and Restated Standby Bond Purchase Agreement, dated as of October 1, 2004, among the Authority, JPMorgan Chase, Bayerische Landesbank, acting through its New York Branch, Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, Landesbank Baden-Wurttemberg, acting through its New York Branch, Dexia and Lloyds (collectively, the "Standby Bond Purchase Agreements"), which are Parity Obligations secured on a parity with the Series 2006F Bonds and all other Bonds and Parity Obligations.

The Authority, subject to the limitations and conditions set forth in the Indenture, may issue additional Bonds and Parity Obligations secured on a parity with outstanding Bonds and Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006F BONDS -- Additional Bonds and Parity Obligations." The Authority currently expects to issue additional Bonds and Parity Obligations as described in "SUMMARY OF FINANCING PLAN."

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APPENDIX I

PROJECTED DEBT SERVICE SCHEDULE

The table below shows the projected annual debt service requirements for the Authority's outstanding Bonds and the Series 2006F Bonds.

Fiscal Year Ending (June 30)	Outstanding Prior Bonds Debt Service[(1)]	Series 2006F Bonds Debt Service		Total
		Principal	Interest	
2006	$ 34,447,817	$	$	$ 34,447,817
2007	88,879,051	23,690,000	52,070,711	164,639,762
2008	98,353,926	26,425,000	54,723,978	179,502,904
2009	98,549,128	27,350,000	53,799,123	179,698,251
2010	98,362,160	28,480,000	52,665,923	179,508,083
2011	98,431,326	29,795,000	51,351,785	179,578,111
2012	98,319,712	31,215,000	49,931,748	179,466,460
2013	98,381,728	32,630,000	48,517,060	179,528,788
2014	98,350,144	34,145,000	47,003,610	179,498,754
2015	98,453,204	35,675,000	45,473,075	179,601,279
2016	98,210,343	37,375,000	43,769,675	179,355,018
2017	98,413,843	39,050,000	42,093,875	179,557,718
2018	98,332,367	41,005,000	40,141,375	179,478,742
2019	98,293,566	43,055,000	38,091,125	179,439,691
2020	98,319,835	45,210,000	35,938,375	179,468,210
2021	98,419,650	47,470,000	33,677,875	179,567,525
2022	98,393,346	49,825,000	31,322,750	179,541,096
2023	98,544,472	52,315,000	28,831,500	179,690,972
2024	98,431,748	54,930,000	26,215,750	179,577,498
2025	98,623,454	57,675,000	23,469,250	179,767,704
2026	98,666,767	60,560,000	20,585,500	179,812,267
2027	98,758,914	63,580,000	17,566,500	179,905,414
2028	98,743,321	66,760,000	14,387,500	179,890,821
2029	98,912,820	70,100,000	11,049,500	180,062,320
2030	98,880,893	73,605,000	7,544,500	180,030,393
2031	99,002,244	77,285,000	3,864,250	180,151,494
2032	154,106,581	-	-	154,106,581
2033	154,118,579	-	-	154,118,579
2034	154,128,470	-	-	154,128,470
2035	154,120,406	-	-	154,120,406
2036	153,983,905	-	-	153,983,905
2037	128,610,545	-	-	128,610,545
2038	128,345,994	-	-	128,345,994
2039	110,148,644	-	-	110,148,644
2040	93,895,861	-	-	93,895,861
2041	93,688,785	-	-	93,688,785
2042	93,598,553	-	-	93,598,553
2043	93,352,786	-	-	93,352,786
2044	93,211,128	-	-	93,211,128
2045	93,000,746	-	-	93,000,746
TOTAL	$4,185,786,764	$1,149,205,000	$874,086,311	$6,209,078,075

(1) Assumes an interest rate of 4.36% per annum for the Series 2001 Variable Rate Demand Bonds (based on an interest rate swap arrangement for the Series 2001 Variable Rate Bonds), inclusive of liquidity facility and remarketing fees and expenses, and the actual interest rates with respect

to the Series 2001 Fixed Rate Bonds, an interest rate of 4.71% per annum for the Series 2003 Bonds (based on an interest rate swap arrangement for $200 million of the Series 2003 Bonds), inclusive of broker-dealer, liquidity facility and remarketing fees and expenses, as applicable, an interest rate of 5.09% for the $100 million principal amount of Series 2003 Bonds not subject to an interest rate swap arrangement, inclusive of broker-dealer, liquidity facility and remarketing fees and expenses, as applicable, an interest rate of 3.68% per annum for the Series 2004 Bonds (based on an interest rate swap arrangement for the Series 2004 Bonds), inclusive of liquidity facility and remarketing fees and expenses, and an interest rate of 3.99% per annum for the Series 2006A-E Bonds (based on interest rate swap arrangements for the Series 2006A-E Bonds), inclusive of broker-dealer, liquidity facility and remarketing fees and expenses.

Note: Totals may not add due to independent rounding of numbers.

APPENDIX J

THE RESERVE FACILITY PROVIDERS

The information contained in this appendix has been provided for inclusion in this Official Statement by Ambac Assurance Corporation and XL Capital Assurance Inc., respectively. No representation as to the accuracy or completeness of such information is made by the Authority or the Underwriters. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of either of Ambac Assurance Corporation or XL Capital Assurance Inc. since the date hereof, or that the information contained or referred to in this appendix is correct as of any time subsequent to its date.

AMBAC ASSURANCE CORPORATION

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $8,994,000,000 (unaudited) and statutory capital of approximately $5,649,000,000 (unaudited) as of December 31, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance makes no representation regarding the Series 2006F Bonds or the advisability of investing in the Series 2006F Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "AMBAC ASSURANCE CORPORATION" in this Appendix J.

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company . These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

XL CAPITAL ASSURANCE INC.

XL Capital Assurance Inc. ("XL Capital") accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding XL Capital and its affiliates set forth under this heading. In addition, XL Capital makes no representation regarding the Series 2006F Bonds or the advisability of investing in the Series 2006F Bonds.

General

XL Capital is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. XL Capital is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore.

XL Capital is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands exempted company ("XL Capital Ltd"). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products and services to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The ordinary shares of XL Capital Ltd are publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). XL Capital Ltd is not obligated to pay the debts of or claims against XL Capital.

XL Capital was formerly known as The London Assurance of America Inc. ("London"), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 2, 2001, XL Reinsurance America Inc. ("XL Re") acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

XL Capital Ltd announced on April 7, 2006 that Security Capital Assurance Ltd ("SCA"), a newly-created holding company for XL Capital Ltd's financial guaranty insurance and reinsurance businesses conducted through XL Capital and XL Financial Assurance Ltd. ("XLFA"), had filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission relating to a proposed initial public offering of a portion of its common shares. Through its operating subsidiaries of XL Capital and XLFA, SCA will provide credit enhancement products to the public finance and structured finance markets throughout the U.S. and internationally.

Under the registration statement, a portion of SCA's shares will be issued and sold by SCA and a portion will be sold by SCA's parent, XL Insurance (Bermuda) Ltd, as selling shareholder. After the consummation of the offering, XL Capital Ltd is expected to beneficially own approximately 65% of SCA's outstanding shares.

SCA expects to use the proceeds it receives from the offering primarily for capital contributions to its financial guaranty subsidiaries to support future business growth. SCA intends to apply to have its shares listed on the New York Stock Exchange under the ticker symbol "SCA".

A copy of the registration statement is available on the U.S. Securities and Exchange Commission website at www.sec.gov under Filings & Forms (EDGAR).

Reinsurance

XL Capital has entered into a facultative quota share reinsurance agreement with XLFA, an insurance company organized under the laws of Bermuda, and an affiliate of XL Capital. Pursuant to this reinsurance agreement, XL Capital expects to cede up to 90% of its business to XLFA. XL Capital may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by XL Capital as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit XL Capital's obligations under any financial guaranty insurance policy. With respect to any transaction insured by XL Capital, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether XL Capital has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XL Capital or the Reserve Facility issued by XL Capital (the "XL Capital Reserve Facility").

Based on the audited financials of XLFA, as of December 31, 2005, XLFA had total assets, liabilities, redeemable preferred shares and shareholders' equity of $1,394,081,000, $704,007,000, $39,000,000 and $651,074,000, respectively, determined in accordance with generally accepted accounting principles in the United States ("US GAAP"). XLFA's insurance financial strength is rated "Aaa" by Moody's and "AAA" by S&P and Fitch Inc. In addition, XLFA has obtained a financial enhancement rating of "AAA" from S&P.

The obligations of XLFA to XL Capital under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd ("XLI"), a Bermuda exempted company and one of the world's leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XL Capital Ltd. In addition to A.M. Best's financial strength rating of "A+" and issuer credit rating of "aa-", XLI's insurance financial strength rating is "Aa3" (Stable Outlook) by Moody's, "A+" by Standard & Poor's and "AA-" (Outlook Stable) by Fitch.

The rating agencies have taken certain actions with respect to XL Capital Ltd and various insurance operating subsidiaries of XL Capital Ltd, as described below. On November 22, 2005, Moody's downgraded the senior debt rating of XL Capital Ltd from "A2" to "A3" and downgraded the other insurance financial strength ratings of various insurance operating subsidiaries of XL Capital Ltd (other than XL Capital and XLFA) from "Aa2" to "Aa3". On November 28, 2005, Standard & Poor's downgraded the senior debt rating of XL Capital Ltd from "A" to "A-" and downgraded the counterparty credit and financial strength ratings of various insurance operating subsidiaries of XL Capital Ltd (other than XL Capital and XLFA) from "AA-" to "A+". On February 28, 2006, Fitch revised the long term issuer rating of XL Capital Ltd from "A-" to "A". On October 26, 2005, Fitch downgraded XL Capital financial strength ratings of various insurance operating subsidiaries of XL Capital Ltd (other than XL Capital and XLFA) from "AA" to "AA-".

The ratings of XLFA, XLI or any other member of the XL Capital Ltd group of companies are not recommendations to buy, sell or hold securities, including the Series 2006F Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch.

Notwithstanding the capital support provided to XL Capital described in this section, the Bondholders will have direct recourse against XL Capital only, and neither XLFA nor XLI will be directly liable to the Bondholders.

Financial Strength and Financial Enhancement Ratings of XL Capital

XL Capital's insurance financial strength is rated "Aaa" by Moody's and "AAA" by Standard & Poor's and Fitch, Inc. ("Fitch"). In addition, XL Capital has obtained a financial enhancement rating of "AAA" from Standard & Poor's. These ratings reflect Moody's, Standard & Poor's and Fitch's current assessment of XL Capital's creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under "Reinsurance" above.

The above ratings are not recommendations to buy, sell or hold securities, including the Series 2006F Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the Series 2006F Bonds. XL Capital does not guaranty the market price of the Series 2006F Bonds nor does it guaranty that the ratings on the Series 2006F Bonds will not be revised or withdrawn.

Capitalization of XL Capital

Based on the audited financials of XL Capital, as of December 31, 2005, XL Capital had total assets, liabilities, and shareholder's equity of $953,706,000, $726,758,000, and $226,948,000, respectively, determined in accordance with U.S. GAAP.

Based on the unaudited statutory financial statements for XL Capital as of December 31, 2005 filed with the State of New York Insurance Department, XL Capital has total admitted assets of $328,231,000, total liabilities of $139,392,000, total capital and surplus of $188,839,000 and total contingency reserves of $13,031,000 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP"). Based on the audited statutory financial statements for XL Capital as of December 31, 2004 filed with the State of New York Insurance Department, XL Capital had total admitted assets of $341,937,000, total liabilities of $143,494,000, total capital and surplus of $198,443,000 and total contingency reserves of $7,342,000 determined in accordance with SAP.

Incorporation by Reference of Financials

For further information concerning XL Capital and XLFA, see the financial statements of XL Capital and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XL Capital and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the "Commission") by XL Capital Ltd and may be reviewed at the EDGAR website maintained by the Commission. All financial statements of XL Capital and XLFA included in, or as exhibits to, documents filed by XL Capital Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the Series 2006F Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XL Capital and XLFA, no other information contained in XL Capital Ltd's reports filed with the Commission is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XL Capital are available upon request to the State of New York Insurance Department.

Regulation of XL Capital

XL Capital is regulated by the Superintendent of Insurance of the State of New York. In addition, XL Capital is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, XL

Capital is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. XL Capital is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES AND RESERVE FUND SURETIES ISSUED BY XL CAPITAL, INCLUDING THE XL RESERVE FACILITY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of XL Capital are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

APPENDIX K

OPTIONAL REDEMPTION AND MATURITY DATES OF INFRASTRUCTURE BANK BONDS

Proceeds of the Series 2006F Bonds deposited into the Escrow Account will be invested in Defeasance Obligations permitted under the indenture for the Infrastructure Bank Bonds or held uninvested in cash, and such amounts, together with the earnings thereon, will be used to pay when due the principal of and interest on the Infrastructure Bank Bonds and the redemption price of the Infrastructure Bank Bonds prior to and on the respective optional redemption dates or maturity dates, as the case may be, set forth in the following table.

Maturity	Principal Amount	Interest Rate	CUSIP (Base 13033)	Optional Redemption/ Maturity Date
2007	$ 7,135,000	2.650%	WJR5	July 1, 2007[(1)]
2007	10,120,000	5.000	WJS3	July 1, 2007[(1)]
2008	17,950,000	2.900	WJT1	July 1, 2008[(1)]
2009	8,295,000	3.200	WJU8	July 1, 2009[(1)]
2009	10,175,000	5.000	WJV6	July 1, 2009[(1)]
2010	12,120,000	3.650	WJW4	July 1, 2010[(1)]
2010	7,125,000	5.000	WJX2	July 1, 2010[(1)]
2011	6,075,000	3.900	WJY0	July 1, 2011[(1)]
2011	13,965,000	5.000	WJZ7	July 1, 2011[(1)]
2012	20,980,000	4.100	WKA0	July 1, 2012[(1)]
2013	21,840,000	4.200	WKB8	July 1, 2013[(1)]
2014	6,570,000	4.300	WKC6	July 1, 2014[(1)]
2014	16,185,000	5.250	WKD4	July 1, 2013[(2)]
2015	2,210,000	4.400	WKE2	July 1, 2015[(1)]
2015	21,675,000	5.250	WKF9	July 1, 2013[(2)]
2016	2,535,000	4.500	WKG7	July 1, 2016[(1)]
2016	22,590,000	5.250	WKH5	July 1, 2013[(2)]
2017	1,040,000	4.650	WKJ1	July 1, 2017[(1)]
2017	25,385,000	5.250	WKK8	July 1, 2013[(2)]
2018	4,370,000	4.700	WKL6	July 1, 2018[(1)]
2018	23,435,000	5.250	WKM4	July 1, 2013[(2)]
2019	1,145,000	4.750	WKN2	July 1, 2019[(1)]
2019	28,095,000	5.250	WKP7	July 1, 2013[(2)]
2020	465,000	4.850	WKQ5	July 1, 2020[(1)]
2020	30,305,000	5.250	WKR3	July 1, 2013[(2)]
2021	200,000	4.900	WKS1	July 1, 2021[(1)]
2021	32,180,000	5.250	WKT9	July 1, 2013[(2)]
2022	34,080,000	5.000	WKU6	July 1, 2022[(1)]
2023	35,785,000	5.000	WKV4	July 1, 2023[(1)]
2024	37,575,000	5.000	WKW2	July 1, 2024[(1)]
2025	39,455,000	5.000	WKX0	July 1, 2025[(1)]
2026	41,425,000	5.000	WKY8	July 1, 2026[(1)]
2029	137,120,000	5.000	WKZ5	January 1, 2028[(2)(3)]
2033	217,030,000	5.000	WLA9	January 1, 2028[(2)]
2036	192,950,000	5.000	WLB7	January 1, 2028[(2)]
2037	70,850,000	5.125	WLC5	July 1, 2026[(2)]

(1) Maturity date.
(2) Optional redemption date.
(3) Subject to prior scheduled mandatory sinking account redemption in the amount of $43,495,000 on July 1, 2027.

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